CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF AGRIBUSINESS MANAGEMENT

AGBM 324: MANAGERIAL ACCOUNTING II

STREAMS: **TIME: 2 HOURS**

DAY/DATE: THURSDAY 20/4/2023 **8.30 P.M. – 10.30 A.M.**

INSTRUCTIONS:

Answer question one and any other two questions

Do not write on the question paper

QUESTION ONE

a) Management accounting is a branch of accounting which is concerned with provision of information to people within the organization to help them make better decisions. Explain the main four decision making environments. (8 marks)

b) Emilian Ltd makes four components with the following information:

	P	Q	R	S
Production (units)	1,750	2,300	4,180	3,050
Unit variable costs (Shs):				
Direct Material	5	6	3	4
Direct Labour	9	10	5	7
Variable Overhead	3	4	2	3
Attributable fixed cost (shs.)	2,000	6,000	7,000	9,000
Purchase cost Per Unit (external)	13	22	11	15

Required:

Advice the company on the components to buy or make if any (10 marks)

c) Airtec Ltd produces two products, product X and Y and the following budget has been prepared.

	X	Y
Sales (units)	254,000	98,000

Variable Cost Per Unit Shs.	60	30
Sales (Shs.)	1300,000	845,000

The fixed cost for the period is Shs. 760,000

Required:

a) Compute the break-even point in total and for each of the products. (6 marks)

b) The company proposes to change the sales mix in units to 1:1 for products X and Y.

Advice the company on whether this change is desirable. (4 marks)

QUESTION TWO

The following data is available in respect of process I for June 2022.

(i) Opening work in progress 1700 units at a total cost of sh. 8100

(ii) Input of material into the process at a total cost of sh. 83,600 for 28,400 units

(iii) Direct Labour cost incurred sh. 43,480

(iv) Production overhead sh. 26,740

(v) Units scrapped: 2,500 units

(vi) Closing work in progress: 1,900 units

(vii) 15,900 units were completed and transferred to the next process

(viii) Normal loss is 8% of the total input (opening stock of W.I.P plus input units)

(ix) Scrap value is sh. 8 per unit

(x) Degree of completion:

	Material	Labour	Overhead
opening W.I.P	100%	60%	60%
Units Scrapped	100%	80%	80%
Clossing WIP	100%	70%	70%

Required:

(i) Statement of equivalent units (5 marks)

(ii) Statement of cost per equivalent unit (5 marks)

(iii) Statement of evaluation (5 marks)

(iv) Process I account (5 marks)

QUESTION THREE

a) XYZ Group Limited has a processing system that produces three products X, Y and Z with 8000 kg, 4000 kg and 3000 kg respectively in a year. The total cost incurred up to the split off point in the year 2022 was Sh. 2,000,000.

Required:

Use the physical unit's basis to share the joint cost among the three products and calculate the unit cost (8 marks)

b) Explain the four applications of CVP analysis (8 marks)

c) Differentiate between material mix variance and material yield variance (4 marks)

QUESTION FOUR

a) A company is considering investing in one of the three investments A, B & C under certain economic conditions. The payoff matrix for this situation is economic condition:

State of nature	Investment opportunities		
	A	B	C
E1	5500	2400	3300
E2	6000	9000	3000
E3	4000	7000	5000

Determine the best investment opportunity using the following criteria

(i) Maximin (4 marks)

(ii) Maximax (4 marks)

(iii)Laplace criterion (4 marks)

b) Explain the advantages and disadvantages of zero based budgeting (8 marks)

……………………………………………………………………………………………………