

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF  
COMMERCE**

BCOM 314: MANAGEMENT ACCOUNTING

STREAMS: BCOM Y3S2

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 12/04/2023

8.30 A.M – 10.30 A.M

**INSTRUCTIONS:**

Answer question one and any other two questions

**QUESTION ONE**

- (a) The following information has been assembled by Sancross products ltd which manufactures and retails products A and B. The details given below relate to the year commencing 1 July 2023.

	<b>Standard</b>	<b>Product</b>	
	Price per kg	A kg	B kg
Direct material – M1	Ksh 4	15	20
M2	Ksh 5	14	12

  

	<b>Standard</b>	<b>Product</b>	
	Rate per hour	A hour	B hour
Direct labour -L1	Ksh 8	20	15
L2	Ksh 10	22	24

The amount of plant capacity

Per product is: Machining	15 min	24 min
Assembling	12 min	18 min

	<b>Product</b>	
	<b>A</b>	<b>B</b>
Projected sales for the year	9,013	7,793
Selling price	1,335	1,290

Finished goods stock position t is expected to be as follows:

	<b>Product</b>	
	<b>A</b>	<b>B</b>
1 July 2023	3,371	2,326
30 June 2024	5,618	4,651

Direct materials stock valued at standard prices are as follows:

	<b>Material</b>	
	<b>M1</b>	<b>M2</b>
	<b>Ksh '000</b>	<b>Ksh '000</b>
1 July 2023	200	250
30 June 2024	220	270

For the year to 30 June 2001, Fixed production overhead has been estimated at ksh 1,800,000 and direct labour at 1,200,000 hours.

No opening or closing work in progress is anticipated.

**Required:**

- (a) Production budget in units [4 marks]
  - (b) Direct materials usage budget [5 marks]
  - (c) Direct material purchases budget [5 marks]
  - (d) Direct labour cost budget [5 marks]
  - (e) Plant utilization budget [5 marks]
- (b) Explain the balanced score card as a performance evaluation tool. [6 marks]

**QUESTION TWO (20 MARKS)**

- (a) Discuss four criticism of cost volume profit (C.V.P) analysis assumptions. [4 marks]
- (b) Bahati and Gloria are in a partnership business dealing in the manufacture of a slimming substance branded 'Kitanzi'. The following data relate to the product:

1. Standard mix is as follows:

Material	Percentage of input	Standard cost per kg (ksh)
A	30%	120
B	50%	295
C	20%	115

2. The standard process loss is 20% of input weight. During the quarter ended 30<sup>th</sup> June 2021, 2450kg of 'kitanzi' were produced from the following inputs:

Material	Input (kg)	Actual price per kg
A	950	125
B	1420	290
C	630	112

**Required:**

- (i) Material price variance [3 marks]
- (ii) Material mix variance [5 marks]
- (iii) Material yield variance [5 marks]
- (iv) Material usage variance [1 mark]
- (v) Material cost variance [2 marks]

**QUESTION THREE**

- (a) Auto Robot ltd which manufactures two products P & Q has provided the following information:

	P(ksh)	Q (ksh)
Estimated demand (units)	90	30
Selling price per unit	10	12
Variable cost per unit	2	8
Fixed cost 84,000		

**Required:**

- (i) Calculate the B.E.P for the whole organization and for each product in units and in ksh. [5 marks]
- (b) A company manufacturers and sells three products A,B and C. The unit cost and revenue structure for each product and its maximum forecast demand for the coming period are as follows:

Product	A	B	C
Selling price per unit (ksh)	140	100	120
Variable cost per unit	70	60	80
Fixed cost per unit	10	15	12
Maximum demand (units)	500	300	300
Machine hours required per unit	10	4	5

The company has a maximum of 6000 machine hours available during the coming period.

**Required:**

- (i) Calculate the number of units of each product A,B and C which should be produced and sold in order to maximize profit. [6 marks]
- (ii) Calculate the maximum profit earned from the decision strategy per (i) above. [4 marks]
- (iii) Suggest other factors which management may wish to consider which could result in a change in their decision. [2 marks]
- (iv) Explain three qualitative factors to consider in a make or buy decision. [3 marks]

**QUESTION FOUR**

The following data relates to process II for one accounting period. Process II receives inputs from process 1 and after processing transfers them to process III

Opening work in progress is 600 units with the following values and degree of completion.

Cost element	Value (ksh)	Percentage of completion
Input material	720	100%
Material added	500	60%
Labour	340	50%
Overhead	270	40%

Transfer from process 1 was 4100 units valued at ksh 5,200

Transfer to process III was 3500 units.

The cost incurred during the process were as follows

Material added	ksh 2950
Labour	ksh 2200
Overheads	ksh 1900

Closing work in progress was 800 units and 400 units were scrapped at the following degrees of completion.

Cost element	Degree of closing WIP	Degree of scrapped
Input material	100%	100%
Material added	60%	60%
Labour	50%	40%
Overheads	40%	30%

Normal loss is 10% of production and scrapped units realized 40 cents per unit.

Required: Using average cost method

- (i) Statement of equivalent units [5 marks]
- (ii) Statement of cost per equivalent unit. [4 marks]
- (iii) Statement of valuation [5 marks]
- (iv) Process II account. [6 marks]