CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

RESITS/SPECIAL EXAMINATIONS

EXAMINATION FOR THE AWARD OF BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT

AGBM 222: MANAGEMENT ACCOUNTING 1

STREAMS: **TIME: 2 HOURS**

DAY/DATE: FRIDAY 1/9/2023 **8.30 A.M. – 10.30 A.M.**

1) a) As a managing director of Daima limited explain four factors you may be required to take into consideration establishing effective cost accounting system (8 marks)

b) State and explain internal users of accounting information (6 marks)

c) The following information relates to ABC LTD for the month of December 2022where 1200 units of products were produced

Cost of item	cost
Direct material	20,000
Direct labour	30,000
Electricity 60% variable	28,000
Rent	30,000
Maintenance cost (fixed)	25,000
Property rates 20% fixed	60,000
Water variable	12,000
Totals	205,000

Required: i) using account analysis method, estimate the cost function (10 marks)

ii) Using cost function in(c) (i) above estimate the total cost of producing 600 units (2 marks)

d) Distinguish between allocation and apportionment as it is used in overheads analysis (4 marks)

2) a) Delta LTD provided the following information relating to product A for the month May 2023:

Opening stock 6000 units valued at sh.20

Receipts **Issued**

Date May	quantity	Unit price
3	5000	18
10	5400	21
17	6200	22
19	5600	21
25	5500	22

Date :May	quantity
6	6600
16	5600
23	4500
26	7900

Required:

Prepare a stock inventory records for product A using FIFO method (10marks)

b) Describe five classifications of costs (10 marks)

3) a) Describe the three main methods of labour remuneration (6 marks)

b) 1000kgs of materials input yields a standard output of 100,000 units. The standard price of material is sh 20 per kg. Number of employees engaged are 200. The standard wage rate per employee per day is sh 6. The standard daily output per employee is 100 units. The actual quantity of material used is 10,000 kgs and the actual price paid is sh 21 per kg. Actual output obtained is 900,000 units. Actual number of days worked is 50 and actual rate of wages paid is sh 6.50 per day. Idle time paid for and included in above time is ½ day

Required:

a) Material Price Variance
b) Material Usage Variance
c) Labour Rate Variance
d) Idle time Variance (8 marks)

c) State any three assumptions of cost volume profit (CVP) analysis (6 marks)

4) a) Highlight four reasons why marginal costing is preferred offer absorption costing in managerial decisions (8 marks)
b) Chuka limited manufacture product X the standard costing of producing one unit of product X is given below

Direct material	sh. 24
Direct labour	sh.15

Variable production overheads	sh.6
Fixed production overheads	sh.15
Standard selling price per unit	sh.205

Additional information:

1) opening stock 500 units
2) fixed production overheads is based on activity level of 12000 units per year
3) all fixed costs accrue evenly throughout the year
4) Annual non-production cost consist of:
    i) variable cost 15% of annual sales
    ii) fixed cost sh.36,000

The units produced and sold in the 1st quarter ended 31st march 2023 were as follows:

3200 Unit produced

3000 units sold

Required:

i) Determine profit and loss statement under both marginal and absorption costing (10 marks)

ii) Reconcile the profit in this first quarter (2 marks)

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