CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT, DIPLOMA IN BUSINESS MANAGEMENT

DPLM 0223: MANAGEMENT ACCOUNTING

STREAMS: DPLM/DIBM **TIME:2 HOURS**

DAY/DATE: THURSDAY 07/08/2025 **11.30A.M. –1.30 P.M**

INSTRUCTIONS: Answer Question ONE and Any Other TWO Questions

Do not write on the question paper.

QUESTION ONE (30 marks)

a) Distinguish between the following management accounting terminologies

i. Fixed cost and Variable cost (2 marks)

ii. Direct cost and Indirect cost (2 marks)

iii. Controllable and non controllable cost (2 marks)

iv. Joint products and by-products (2 marks)

b) Von Hotpoint Ltd is a manufacturer of water dispensers. The following information relates to the production of the dispensers: .

Variable cost	Ksh.400 per unit.
Fixed manufacturing cost	Ksh. 1.2 million
Selling price per unit	Ksh.800

Required:

i. Compute the break-even point for the product in both units and shillings. (3 marks)

ii. How many dispensers should be produced to earn before tax profit of Ksh 500,000 (3 marks)

iii. If the company is in a 40% tax bracket. How many dispensers should be sold to earn ksh.500,000 after tax profit? (3 marks)

(c) The production manager of Bidco Africa Ltd is concerned about the apparent fluctuation in efficiency and wants to determine how labour costs (in Sh.) are related to volume (units). The following data presents results of the 6 most recent weeks.

Week	No. of Units (X)	Total cost sh'000' (Y)
1	40	5100
2	45	5450
3	50	6050
4	40	5400
5	60	6850
6	55	6250

Required:

i. Estimate the cost function using high-low method (3 marks)

ii. Estimate the cost function using regression analysis method (8 marks)

iii. Estimate the total cost of production on 900 units produced using cost function in c (ii) above (2 marks)

QUESTION TWO (20 marks)

a) Explain three types of standards as used in standard costing (6 marks)

b) A company makes and sells a single product. At the beginning of period 1, there is no opening stock for the product, for which the variable production cost is sh.40 while the sales price is sh.60 per unit. Budgeted fixed production costs are sh.15,000 per period while fixed selling costs are sh.5000.
The following details are avalable:

Particulars	**Period 1**
Sales units	1200
Actual Production units	1,500
Actual fixed production costs Shs.	15,000

Assume that the normal production capacity for the firm is 2000 units

Required:

i. Income statements for the period under the absorption costing (6 marks)

ii. Income statements for the period under the marginal costing (6 marks)

iii. Reconcile the profits reported in (i) and (ii) above (2 marks)

QUESTION THREE (20 marks)

a) Distinguish between marginal and absorption costing techniques for controlling costs (6 marks)

b) A product passes through three production processes A and B. The normal wastage in process A and B is 3% and 5% respectively. Scrap of process A can be sold at Ksh. 25 per unit while that of process B at Ksh. 50 per unit. 10,000 units were issued to process A at the beginning of october 2023 at a cost of sh.100 per unit.

The following data is also available:

	PROCESS A	PROCESS B
Additional Material KSh.	100,000	150,000
Direct labour Ksh.	500,000	800,000
Direct expenses Ksh.	105,000	118,750
Actual output (units)	9,500	9,100

There were neither opening nor closing stocks.

Required: Prepare

i. Process accounts (10 marks)

ii. Abnormal loss/Gain accounts (4 marks)

QUESTION FOUR

a) Financial accounting and management accounting are two different accounting systems. Identify and explain the differences between the two systems (6 marks)

b) Outline four functions of management accounting (4 marks)

c) The following information relates to company ABC Ltd

Weight needed to produce 1 unit	12 kg
Hours needed to produce 1 unit	10 hours
Price per kg	sh.90
Wage rate per 1 hour	sh.100

The actual production cost for 2400 units were as follows:

Material usage	26,400 kg
Material cost	sh. 2,640,000
Hours worked	25,200 hours

Wages paid	sh.2,570,400

Required: Determine

(i) Material price variance (2 marks)
(ii) Material usage variance (2 marks)
(iii) Total material cost variance (2 marks)
(iv) Total labour cost variance (4 marks)
