

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
AGRIBUSINESS MANAGEMENT AND BACHELOR OF AGRICULTURAL
ECONOMICS**

AGBM 312: MANAGEMENT ACCOUNTING I

STREAMS: AGBM/AGEC (Y3S1)

TIME: 2 HOURS

DAY/DATE: FRIDAY 20/12/2024

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- Answer Question One and any other Two Questions

QUESTION ONE

a) At the Board of Directors meeting, Macau, a logistics director argued that “Management Accounting is no different from Financial Accounting. Therefore, its installation, being a mere waste of resources, contravenes the primary goal of any firm which is maximization of profit.’

Required: Discuss the foregoing sentiments by Macau and by explaining FOUR differences between management accounting and Financial Accounting. (8 marks)

b) Differentiate between the following terms as used in management accounting

i) Step Fixed cost and Mixed Cost (3 marks)

ii) Cost Unit and Unit cost (2 marks)

b) The following details relate to the cost of labour and the hours worked for a horticulture farm.

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Hours worked	Cost of labour
975	960,000
920	910,000
600	720,000
860	880,000
475	400,000

Required: Find the cost estimation function using;

- i) High-Low Method (4 marks)
- ii) Regression Analysis (4 marks)
- ii) Estimate the cost of labour for 500 hours of work (1 mark)

d) Weaver's Nest Ltd is a manufacturer of badges. The company is planning to sell badges at the forthcoming Meru Show at Sh.90 each. The firm will incur variable cost of sh. 50 per badge plus a fixed cost of Sh.20, 000 to rent a booth in the Show ground.

Required:

- i. Compute the break-even point for the badges in both units and shillings. (3 marks)
- ii. Compute the margin of safety if the company plans to sell 6,000 units. (2 marks)
- iii. If the company is in a 40% tax bracket. How many badges should be sold to earn Ksh. 180,000 after tax profit? (3 marks)

QUESTION TWO

a) Medico limited specializes in production of a pesticide that can only be completed after undergoing two processes. The information about cost of production and units output in the two processes is provided below:

	Process I	Process II
Direct materials	100,680	100,920
Direct labour	40,400	59,360
Direct expenses	84,720	1,050

Additional information:

- i. The company introduced 500 units to process I at a cost sh. 480 per unit

- ii. The company expects normal loss for Process I, II at the rate of 10%, and 8% respectively.
- iii. The normal losses can be scrapped at a value of sh. 100 for process I loss, sh. 180 for process II loss
- iv. The actual output for three processes are as follow; Process I 425 units and Process II 400 units
- v. A product must pass through all the processes before being transferred to finished goods.

Required:

- a) Process accounts for Process I and II (8 marks)
- b) Abnormal loss account (2 marks)
- c) Abnormal gain account (2 marks)
- d) Differentiate between;
 - i. Process costing and Job costing (4 marks)
 - ii. Product and Period Costs (2 marks)
 - iii. Cost allocation and Cost apportionment (2 marks)

QUESTION THREE

- a) The following data relate to Uchumi Bread

Cost data

Selling Price	Ksh.70.00 per unit
Direct Materials	Ksh. 24.00 per unit
Direct Labour	ksh. 16.00 per unit
Variable manufacturing overheads	Ksh. 8.00 per unit
Variable selling overheads	Ksh.2.00 per unit
Budgeted Fixed manufacturing Overheads	Ksh.150,000 for 50,000 loaves of bread
Actual Fixed manufacturing Overheads	Ksh.120,000
Loaves of bread manufactured	50,000
Loaves of bread sold	40,000

Required:

- (i) Prepare an income statement using Marginal and Absorption Costing (14 marks)
- (ii) Reconcile the profits under the two methods (3 marks)

- (iii) Explain why Marginal costing is preferred for decision making (3 marks)

QUESTION FOUR

a) Maputo Ltd. Manufactures and sells one brand of washing soap. The sale price per one dozen packets is Sh.50. The standard production cost as follows:

Direct materials: Material A – 3 Kg. @Sh.4 per kg
 Material B – 2 litres @ Sh.5per litre

Direct labour: ½ hour @ Sh.20

During the last financial year the company production was 64,000 dozen packets for which the following costs were incurred:

		Shs
Material	A 194,000 Kg.	780,800
	B 130,000 litres	625,000
Direct labour	35,000 hours	684,000

Required

- a) Calculate the following variances:
- i. Material price variance for A and B and the total (5 marks)
 - ii. Material usage variance for A and B and the total (5 marks)
 - iii. Labour rate (3 marks)
 - iv. Labour efficiency variance (3 marks)
- b) Explain four types of standards used in standard costing (4 marks)
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