

CHUKA



UNIVERSITY

www.chuka.ac.ke

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
AGRIBUSINESS MANAGEMENT

AGBM 324: MANAGERIAL ACCOUNTING II

STREAMS:

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 12/04/2023

2.30 P.M – 4.30 P.M

INSTRUCTIONS:

Answer question one and any other three questions

Do not write on the question paper

QUESTION ONE

- (a) Differentiate between joint and by products giving relevant. [4 marks]
- (b) Highlands limited is considering investing in one of three investment opportunities under certain economic conditions.

Alternatives			
Conditions	Ksh 6.00	Ksh 7.000	Ksh 8.00
Best possible	26,000	24,000	22,600
Most likely	24,000	22,500	22,000
Worst possible	20,000	18,000	16,000
Fixed costs	= 30,000		

Variable cost per unit = ksh 4

Required:

Advice the company on the best price to set using:

- I. Maximax decision rule. [4 marks]
- II. Maximin decision rule [4marks]
- III. Laplace criterion of rationality. [4 marks]

(c) JKL produces two products, J and K the following budget has been prepared:

	J	K	L
Sales in units	140,000	60,000	200,000
Selling price per unit	Ksh 8	Ksh 12	
Total sales value	800,000	600,000	1,400,000
Variable cost per unit	Ksh 6	Ksh 5	
Total fixed costs			500,000

Required:

- I. Compute the break –even point for the whole company and for each product in units and in shillings. [10 marks]
- II. What are the assumptions upon which break-even point analysis (CVP) model is based. [4 marks]

QUESTION TWO

Kilifi steel company manufactures a product that is processed in a sequence in three processes 1,2 and 3. The following information is obtained for process ii for the month of December 2022.

Opening work in –progress was 2,500 units valued at 6,400. Degree of completion.

Materials 60%

Labour 50%

Overheads 40%

Transfer from process 1 during the month was 12,900 units valued at ksh 19,400

Units transferred to process 3 were 10,500

Direct materials added in process 2 amounted to ksh 15,800

Direct labour amounted to ksh 13,000

Overheads amounted to ksh 17,400

Work in progress at 31st December 2022 was 1,400 units, which had the following degree of completion:

Materials	70%
Labour	50%
Overheads	40%

Normal loss was 10% of production and the scrapped realized ksh 2 per unit.

Required:

1. Equivalent units in production by element of cost [5 marks]
2. Valuation of finished goods [5 marks]
3. Valuation of closing work-in-progress [5 marks]
4. Process 2 account. [5 marks]

QUESTION THREE

(a) Brook milk ltd produced three products butter milk and saturated milk from which the following operating statement has been produced.

Product	Butter	Powder milk	Saturated milk
Sales	51,000	70,000	65,000
Total costs (ksh)	56,000	58,000	54,000
Net profit/loss	(5,000)	32,000	11,000

The total costs comprise 662/3% variable and 331/3% fixed.

The directors consider that as product butter shows a loss, it should be discontinued.

Required:

- I. Should product butter be dropped? (support your answer with appropriate computation) [5 marks]
- II. What other two factors should be considered in evaluating the decision in (i) above? [2 marks]
- (b) Explain four reasons for adopting performance measurement. [4 marks]
- (c) A specialized computer chip could either be purchased from an outside supplier for ksh 600,000 or alternatively it could be made by Boeing limited material costing ksh 50,000 and an additional time of 12 hours.

Required:

- I. The contribution per unit of the key factor in production of 'computer chip. [4 marks]
- II. Should Boeing limited make or buy the specialized computer chip? [5 marks]

QUESTION FOUR

Budgeted and standard data for a product include the following:

Direct labour: 10 employees work a 45 hour week. Standard rate of pay is ksh 4 per hour. Output per hour is 40kg of product.

Direct materials:

Material	Quantity (kg)	Price per kg (ksh)
X	60	2.00
Y	40	1.00

Z	100	1.40
---	-----	------

From this standard mix, 180kg of product are expected.

Actual data for the first week in April, were as follows,

Hours worked	45
Rate of pay	ksh 4 per hour
Overhead incurred	ksh 5400
Output	1980 kg

Production and consumption of materials were as follows:

Material	quantity (kg)
X	700
Y	440
Z	1120

Required:

- | | | |
|------|-----------------------------------|-----------|
| I. | Material price variance | [4 marks] |
| II. | Material mix variance | [4 marks] |
| III. | Material yield variance | [4 marks] |
| IV. | Material usage variance | [4 marks] |
| V. | Direct labour efficiency variance | [4 marks] |
-