

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**SECOND YEAREXAMINATION FOR THE AWARD OF DIPLOMA IN  
PROCUREMENT AND LOGISTICS MANAGEMENT AND DIPLOMA IN  
ACCOUNTY/BUSINESS MANAGEMENT**

**DPLM 0223: MANAGEMENT ACCOUNTING**

**STREAMS: DPLM/DIBM**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 13/4/2023**

**1130 A.M. – 1.30 P.M.**

**INSTRUCTIONS:**

**Answer Question ONE and any other TWO Questions  
Do not write anything on the Question paper**

**QUESTION ONE (30 marks)**

- a) Discuss cost classification according to the following criteria
- i) By function (3 marks)
  - ii) By controllability (2 marks)
  - iii) By traceability to the product (3 marks)
  - iv) By time (2 marks)
- b) Leyland Ltd is a manufacturer of scoreboard signs. The following information relates to the production of scoreboard signs.

Variable cost Ksh. 800 per sign.

Contribution margin per unit Ksh 1,200

Assume that Leyland incurs sh. 1,200,000 of fixed costs regardless of the level of activity.

**Required:**

- i) Compute the break-even point for the firm in both units and shillings. (4 marks)

- ii) How many signs should be produced to earn before tax profit of Ksh 600,000  
(3 marks)
- iii) If the company is in a 40% tax bracket, how many signs should be sold to earn Ksh. 500,000 after tax profit?  
(3 marks)
- c) The production manager of Ox-heart Ltd is concerned about the apparent fluctuation in efficiency and wants to determine how total labour costs (in sh.000) are related to volume of output (units). The following data presents results of the 12 most recent months.

Week	Output (units) (x)	Total cost sh “000” (y)
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180
9	41	376
10	37	295
11	34	215
12	24	275

**Required:**

- i) Estimate the cost function using regression analysis method. (8 marks)
- ii) Estimate the total cost of production on 60 units produced using cost function in (ii) above. (2 marks)

**QUESTION TWO (20 marks)**

- a) Though break-even analysis has gradually become service tool for modern management accounting, there are certain objections (limitations) raised against the utility of break-even analysis: outline any four limitations. (4 marks)
- b) Distinguish between marginal and absorption costing techniques. (4 marks)

- c) A company expects the following activity levels in January 2010

	January
Actual Sales	8,000 Units
Actual Production	10,000 Units
Budgeted Production	12,000 Units
Budgeted Fixed manufacturing overheads	sh. 60,000

- ✓ Assume that there will be no stocks held on 1st January 2010. Fixed overhead costs are absorbed on the basis of budgeted production.

Budget unit selling price and costs are as follows:

	Sh. Per Unit
Selling price	45.00
Direct material	10.00
Direct labour	6.00
Variable manufacturing overhead	4.00
Variable selling and distribution overhead	5.00

**Required:** Prepare an income statement under marginal and absorption costing techniques. (12 marks)

### QUESTION THREE (20 marks)

- a) Discuss four features of process costing technique. (8 marks)
- b) A product passes through three production processes A, B and C. The normal wastage in process A, B and C is 3%, 5% and 8% respectively. Scrap of process A is sold at Ksh. 25 per unit, that of process B at Ksh 50 per unit and that of process C at sh. 100 per unit. 10,000 units were issued to process A at the beginning of October 2019 at a cost of sh.100 per unit.

The following data is also available:

	PROCESS A	PROCESS B	PROCESS C
Additional Material Ksh	100,000	150,000	50,000
Direct labour Ksh	500,000	800,000	650,000
Direct expenses Ksh	105,000	118,000	200,900
Actual output (units)	9,500	9,100	8,100

There was neither opening nor closing stocks.

#### 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 causes of material price variance. (4 marks)
- c) The following information relates to company ABC Ltd.

Weight needed to produce 1 unit.	12 kgs
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.	26,400kg
Material cost	sh. 2,640,000
Hours worked	25,200 hours
Wages paid	sh. 2,570,000

**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)
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