

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF  
AGRIBUSINESS MANAGEMENT**

**AGBM 222: INTRODUCTION TO MANAGEMENT ACCOUNTING**

**STREAMS: AGBM**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 09/04/2024**

**11.30 A.M. – 1.30 P.M.**

**INSTRUCTIONS**

- Answer question one and any other two

**Question one**

- a) Jamii Limited Manufactures a product called purple. Pertinent cost and revenue data relating to the manufacture of this product is given below.

	Sh
Selling price per unit	70
Variable production cost per unit	36
Variable selling cost per unit	4
Fixed production cost (total)	sh. 200,000
Fixed, selling and administrative cost (total)	shs. 100,000

**Required**

- Calculate the break-even sales level I units and in shillings. (3 marks)
- Suppose the company desires to make a profit of sh. 70,000 after tax in a 30% tax bracket, what should be the output in units? (3 marks)

- iii. A new machine which is more efficient is installed. This machine increases the fixed production cost by 20% but reduces the variable production cost per unit by 30%. What is the new break-even. (4 marks)
- b) Vividly distinguish between management accounting and financial accounting. (10 marks)
- c) Discuss the following concepts in management accounting clearly bringing out their differences;
- i) Cost allocation and cost apportionment. (2 marks)
  - ii) Cost unit and unit cost (2 marks)
  - iii) Mixed cost and step fixed cost (2 marks)
  - iv) Direct costs and indirect costs. (2 marks)
  - v) Product cost and period cost. (2 marks)

**Question two (20 marks)**

- a) The following details have been obtained from the records of Absa Ltd, a firm dealing with motor vehicle repair and maintenance.

Week	No. of units repairs	Total cost
1	45	5300
2	50	5650
3	55	6250
4	45	5600
5	65	7050
6	60	6450

**Required**

- i) Estimate the cost function using regression analysis method. (7 marks)
  - ii) Estimate the cost function using high low method. (4 marks)
  - iii) Estimate the total of production on 900 units produced using cost function in (ii) above. (1 mark)
- b) ABC Ltd has provided the information below relating to item stalked and used by the enterprises for the month of January 2024. The opening balance as at 1<sup>st</sup> Jan 2024 was a batch of 2500 units received as at sh. 90.000.

Date Jan	Details	Units	Unit cost
3	Issue	350	
4	Issue	500	
13	Purchases	1000	38
16	Issue	400	
20	Purchases	1200	39
24	Issues	900	
25	Purchases	1600	40
26	Issues	1900	
28	Purchases	500	38

Required

Prepare a store ledger for the month of January 2024 using FIFO method. (8 marks)

### Question three

ABS Ltd company processes a range of products which include detergents which passes through three processes before completion and transfer for the finished goods store. During the month of February 2023, the following data was obtained from the company's records.

	Processes			Total
	1	2	3	
	Ksh	Ksh	Ksh	Ksh
Business raw materials (10,000,000 units)	6000	-	-	6000
Direct materials added in process	8500	9500	5500	23500
Direct wages	4000	6000	12000	22000
Direct expenses	1200	930	1340	3470
Production overhead	3000	4500	9000	16500

	Units	Units	Units
Output	9200	8700	7900
Normal loss in process	%	%	%
	10	5	10
	Ksh	Ksh	Ksh
Scrap value per unit	0.20	0.50	1.00

Production overheads are absorbed as a percentage of direct wages. There was no stock at the beginning or closing of any process.

- i) Process 1 account (4 marks)
- ii) Process 2 account (4 marks)
- iii) Process 3 account (4 marks)
- iv) Abnormal loss account (4 marks)
- v) Abnormal gain account (4 marks)

#### Question four

- a) Explain the role of management accounting within an organization. (5 marks)
- b) PM Ltd produces a single product branded “Zed”. The standard cost for the month of September 2023 was as follows:

	Cost
Direct material: 5kg at sh. 2 per kg	sh. 10
Direct labour: 4 kg at sh.5 per hour	sh.20
Variable overheads: 4 hours at sh. 1 per hour	sh. 4
Fixed overheads: 4 hours at sh. 10 per hour	<u>sh.40</u>
Total stand cost	sh.74

#### Additional information

- Budgeted production was 2,000 units while the actual production was 1,800 units.
- The following were the actual costs for the month of July 2015

	Sh.
Direct material 12,000 kg	26400
Direct labour 9,800 hours	44,100
Variable overheads	9,000
Fixed overheads	<u>100,000</u>
Total cost	<u>179,500</u>

**Required:**

- i) Material price variance (3 marks)
  - ii) Material usage variance (3 marks)
  - iii) Material cost variance (1 mark)
  - iv) Labour rate variance (3 marks)
  - v) Labour efficiency variance (3 marks)
  - vi) Variable overhead expenditure variance. (2 marks)
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