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**ZU/WI/7/EXM/6**

**ZETECH UNIVERSITY**

**ACADEMIC YEAR 2015/2016**

**EXAMINATION FOR THE BACHELOR OF BUSINESS MANAGEMENT AND ADMINISTRATION**

**ACCT222: MANAGEMENT ACCOUNTING**

**DATE: APRIL 2016 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE**

1. Discuss **Five**  roles of a management accountant which will be included in a job description (5 marks)
2. Explain the difference between Financial accounting and management accounting ( 5 marks)

1. What is regression analysis (2 marks)

A company’s sales volume is expressed by the following variables;

 Y=a+bx.

**Required;**

1. Indicate which variable is dependent ( 1 mark)
2. Indicate which variable is independent (1 mark)
3. Indicate which variable is constant (1 marks)
4. Indicate which item is coefficient of a variable (1 marks)

**d)** Company manufactures two products, L and M, using the same equipment and similar processes. An extract of the production data for these products in one period is shown below

 L M

Units output 5,000 7,000

Direct labour per unit 1 2

Machine hours per unit 3 1

Set ups in the period 10 40

Order handled in the period 15 60

Overhead Costs

 Relating to machine activity 220,000

 Relating to production run set-ups 20,000

 Relating to handling of orders 45,000

 Calculate the overheads to be absorbed by one init of each of the products using the ABC costing method (6 marks)

 E ) Use the following information to prepare income statements using absorption costing and marginal costingand reconcile the profits under the two methods

 Kshs.

Direct Material cost per unit 5

Direct labour cost per unit 9

Variable manufacturing overhead per unit. 0.60

Total fixed manufacturing overhead per year 96000

Number of units produced per year 10000

Sale price per unit 35

Units sold 8000

Variable selling and administration expenses per unit 1.20

Fixed administration and selling expenses 58000

 ( 8 marks)

**QUESTION TWO**

Bidii Company Ltd. Manufactures a single product and uses standard costing. The standard costs for producing one unit of the product are as follows:

|  |  |
| --- | --- |
|  | **Shs** |
| Direct material: |  |
|  Material X (3Kgs) | 30 |
|  Material Y (5 Kgs.) | 25 |
| Direct labour (5 hours) | 40 |
| Production Overheads: |  |
|  Variable | 30 |
|  Fixed |  20 |
|  Standard unit cost | 145 |

Note: Overhead is applied on basis of direct labour hours.

In the month of May 20X6, the company had budgeted to produce 10,000 units. However, 11,000 units were actually produced and the costs incurred were as follows:

|  |  |  |
| --- | --- | --- |
|  | Shs. | Shs. |
| Material cost: |  |  |
|  Material X (34,000 Kgs.) | 323,000 |  |
|  Material Y (52,000 Kgs) | 312,000 | 635,000 |
| Labour costs (51,000 hours) |  | 433,500 |
| Manufacturing Overheads: |  |  |
|  Variable | 340,000 |  |
|  Fixed | 220,000 | 560,000 |
| Total manufacturing costs |  | 1,628,500 |
|  |  |  |

**Note:** There was no charge in stock of work in progress.

**Required**

Calculate the following variances indicating whether they are favourable (F) or unfavourable (U):

1. Material price variance ( 6 marks)
2. Material usage variance ( 6 marks)
3. Labour rate variance (4 marks)
4. Labour efficiency variance (2 marks)
5. Total variable overhead variance ( 2marks)

 **(Total: 20 Marks)**

**QUESTION THREE.**

 C ) XYZ Company manufactures a product called “PERMA”. Pertinent cost and revenue data relating to the manufacture of this product is given below:

|  |  |  |
| --- | --- | --- |
|  | Shs |  |
| Selling price per unit | 66 |  |
| Variable production cost per unit | 44 |  |
| Variable selling cost per unit | 4 |  |
|  |  |  |
| Fixed production cost (total) |  | Shs.200,000 |
| Fixed selling and administrative cost (total) |  | Shs.99,000 |

**Required**

1. Calculate the break-even sales level in shillings; ( 5 marks)
2. Suppose the company desires to make a profit of shs.195,000, what should be the output in units? ( 5marks)
3. 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 point in sales revenue? ( 5 marks)
4. State five limitations of break-even analysis. ( 5 marks)

**QUESTION FOUR**

 a) CMB Company has budgeted factory overhead for four volumes of operations as follows:

|  |  |
| --- | --- |
|  |  |
| Costs (sh) | 5,000 | 6,000 | 7,000 | 8,000 |
| Indirect labour | 2,100 | 2,400 | 2,700 | 3,000 |
| Insurance |  600 | 600 | 600 |  600 |
| Depreciation | 1,000 | 1,200 | 1,400 | 1,600 |
| Utilities  | 2,000 | 2,300 | 2,400 | 2,900 |
| Total | 5,700 | 6,500 | 7,100 | 8,100 |

**Required**

1. Indicate whether each of the four overhead cost budgeted is fixed, variable or semi variable (4 marks)
2. Using the high low method, determine the cost estimating formula for each of the four factory overhead costs. ( 6 marks)

 ii) The following information related to the proposed budget for K.K Ltd for the months ending 31 December 1996.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Material** |  | **Production**  | **Administration**  |
| **Month**  | **Sales**  | **Purchases**  | **Wages**  | **Overheads**  | **Overheads**  |
|  | **Sh. ‘000’** | **Sh. ‘000’** | **Sh. ‘000’** | **Sh. ‘000’** | **Sh. ‘000’** |
|  |  |  |  |  |  |
| July  | 72000 | 250000 | 10000 | 6000 | 55000 |
| August  | 97000 | 31000 | 12100 | 6300 | 6700 |
| September  | 86000 | 25500 | 10600 | 6000 | 7500 |
| October  | 88600 | 30600 | 25000 | 6500 | 8900 |
| November  | 102500 | 37000 | 22000 | 8000 | 11000 |
| December  | 108700 | 38800 | 23000 | 18200 | 11500 |

**Additional Information**

1. Depreciation expenses are expected to be 0.5%of sales.
2. Expected cash balance in hand on 1 July 1996 is Sh. 72,500,000
3. 50% of total sales are cash sales
4. Assets are to be acquired in the months of August and October at Shs. 8,000,000 and Shs. 25,000,000 respectively
5. An application has been made to the bank for the grant of a loan of Shs. 30,000,00 and it is hoped that it will be received in the month of November
6. It is anticipated that a dividend of Shs. 35,000,000 will be paid in December
7. Debtors are allowed one month’s credit
8. Sales commission at 3% on sales is paid to the salesmen each month

**Required**

A cash budget for the six months ending 31 December 2003.

**QUESTION FIVE**

Deluxe Paints Limited manufactures a special industrial pain known as “DX3” which undergoes two processes before completion. The following information relates to production undertaken during October 1991.

|  |  |  |
| --- | --- | --- |
| *Process* | *1* | *2* |
| Input | 20,000 litres | ? |
|  | @ Sh.50 |  |
| Added costs (Sh. ‘000’) |  |  |
| Material | 460 | 368.5 |
| Labour | 386 | 304.5 |
| Overhead | 165 | 211.2 |
|  |  |  |
| Normal loss | 10% of input | 5% of input |
| Scrap value | Sh.15 per litre | Sh.34 per litre |
|  |  |  |
| Output: |  |  |
| To process 2: | 16,000 litres |  |
| To Finished Goods: | 13,000 litres |  |
| To work in Progress c/f: | 2,000 liters |  |
|  |  |  |
| Previous Process Costs | 100% |  |
| Added material | 80% |  |
| Labour  | 70% |  |
| Overhead | 50% |  |

There was no opening work-in-progress in either of the two processes. Losses in process 2 had the following degree of completion: previous process costs 100%, Added material 70%, Labour 50%, Overheads 40%.

**Required**

Draw a Process Accounts for both Processes for the month of October. **(Total:20 Marks)**