



(Knowledge for Development)
KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

SPECIAL / SUPPLEMENTARY EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 208

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: 11/10/18 TIME: 11:30 AM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 HOURS

KIBUCO observes ZERO tolerance to examination cheating

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SECTION A

QUESTION ONE (COMPULSORY)

- a) Explain any five ways of distinguishing Financial Accounting and Management Accounting (10marks)
- b) Differentiate between
- i. Direct product costs and indirect product costs (2marks)
 - ii. Fixed cost and variable cost (2marks)
- c) Explain three purpose of management accounting (6marks)
- d) A process produces three joint products M,N,O. The appropriate data were as follows:-
M – 400 Kg sold at Shs. 12.50
N – 300 Kg sold at Shs. 20.00
O – 200 Kg sold at Shs. 25.00
The total joint cost were Shs.11, 000.00
Required:
Apportion the cost using physical unit basis and sales value basis (10marks)

SECTION B (ANSWER ANY TWO QUESTIONS)

QUESTION TWO

- a) Define Margin of Safety (2marks)
- b) Bigwa Company produces two products P and Q and has provided the following information relating to product P and Q.

	P	Q
	Sh.	Sh.
Selling price per unit	10	12
Variable cost per unit	2	8
Fixed cost	50,000	34,000

- i. Calculate the BEP of each product in units and in shillings (4marks)
 - ii. Calculate the Margin of Safety if budgeted sales are 10,000 units each (4marks)
 - iii. Compute the profit of each product if sales in unit are 20% above the BEP (5marks)
- c) Highlight five assumptions of the Cost Volume Profit Analysis (5marks)

QUESTION THREE

- a) XYZ Limited produces a range of products which includes a soft drink which passes through three processes before completion and transfer to finished stocks store. During the Month of October 2012, the following data was obtained from the records of the company.

	PROCESS			TOTAL
	X	Y	Z	
	Sh.	Sh.	Sh.	Sh.
Basic raw materials (60,000 units)	36,000	-	-	36,000
Direct material added in process	53,100	57,000	33,000	143,100
Direct wages	24,000	36,000	72,000	132,000
Direct expenses	7,200	1,440	13,080	21,720
Production overheads				99,000
Output (units)	55,200	52,200	47,400	
Normal loss in process of input	10%	5%	10%	
Scrap value per unit (Shs.)	1.2	3.0	6.0	

Additional information:

- i. Production overheads is absorbed as a percentage of direct wages
- ii. There was no stock at the beginning or closing of any processes

Required:

- i. Prepare separate process X, Y and Z accounts (10marks)
 - ii. Prepare the Abnormal loss and Abnormal gain accounts (4marks)
- b) Define what is meant by standard costs and state the advantages of standard costing (6marks)

QUESTION FOUR

Bidii Company manufactures a single product using standard costing. The standard costs are as follows:-

Direct Material: Material X (3kg@sh.10)	Sh.
Material Y (5kg@sh.5)	30
Direct labour: (5hours @ sh.8)	25
Variable production overhead based on labour hours sh.6	40
Fixed production overhead based on labour hours sh.4	30
	<u>20</u>
	<u>125</u>

In May 2006, the Company budgeted 10,000 units but produced 11,000 units. Actual costs were as follows:-

Material cost: Material X (39,000kg)	Shs.
Material Y (52,000kg)	323,000
Labour cost (51,000 hrs)	312,000
Variable production overheads	433,500
Fixed production overheads	340,000
	<u>220,000</u>
	<u>1,628,500</u>

Required:

Calculate the following variables indicating whether Favorable or Adverse.

- i. Material Price Variance and Usage Variance (5marks)
- ii. Labour rate and Efficiency Variance (3marks)
- iii. Total variance and Fixed overhead variance (12marks)

QUESTION FIVE

Nixon an automobile technician has been operating a garage in Mombasa for the past two years. A year ago he converted part of his garage to a welding shop making and selling metal doors and windows. He had anticipated that the cost of the welding shop would primary be final but has realized that the welding cost increased with the increase in number of welding job assignments. The costs of welding job assignments are as follows:

Period	No. of welding job assignments	Total cost in sh "000"
Sep 2008	280	700
Oct 2008	800	860
Nov 2008	1240	110
Dec 2008	1000	960
Jan 2009	600	720
Feb 2009	920	910
Mar 2009	860	880
Apr 2009	1200	260

Required:

- (a) formulate an equation to estimate the total cost of the welding shop and compute the cost of undertaking 1256 assignments using simple linear regression method (15 marks)
- (b) determine the strength of the relationship between the two variables and comment on your answer (5marks)