KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: **BCA 221**

COURSE TITLE: **MANAGEMENT ACCOUNTING**

DATE: 4TH OCTOBER,2021 **TIME: 2.00PM – 4.00PM**

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

SECTION A

QUESTION ONE (COMPULSORY)

a) Explain any five ways of distinguishing Financial Accounting and Management Accounting (10marks)

b) Explain the important conditions for effective costing system (4marks)

c) Differentiate between

i. Fixed costs and Variable costs (2marks)

ii. Direct product costs and indirect product costs (2marks)

iii. Controllable costs and uncontrollable costs (2marks)

d) Company ABC Ltd has three production departments A,B and C and two service departments X and Y. The following information has been provided:

Production Department	Cost (sh.)
A	6,000
B	7,200
C	8,600
Service Department	**Cost (sh.)**
X	2,800
Y	4,400

The service department costs are apportioned as follows:

	X	Y
A	30%	30%
B	10%	40%
C	20%	10%
X	-	20%
Y	40%	-

Required:

Determine total costs in the ABC Ltd using Simultaneous equation method. (10marks)

SECTION B

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

Required:

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) ABC 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			
	X	Y	Z	TOTAL
	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 (15marks)

ii. Prepare the Abnormal loss and Abnormal gain accounts (5marks

QUESTION FOUR

Tuti Construction Company limited won the contract for the construction of a multi storey building at a cost of sh. 200M. The data relating to the contract for the year ended 31st Dec 2007, was as follows:-

Details	Kshs. '000'
Materials issued from the store	80,000
Materials purchased locally	15,700
Direct wages – Paid	5,800
Accrued	350
Plant purchased and installed	48,800
Direct Expenditure – Paid	1,780
Accrued	70
Establishment charges	180
Materials returned to store	850
Work certified	150,000
Cost of work not certified	3,800
Materials on site 31 Dec	5,330

Value of plant on 31 Dec	41,500

The company had received from the client payments amounting to sh.126M.

Required:

(a) Contract A/C (6 Marks)
(b) Certificate A/C (8 Marks)
(c) Contractee's A/C (2 Marks)
(d) Explain the following terms as used in contract costing
    i. Retention amount (2 Marks)
    ii. Escalation clause (2 Marks)

QUESTION FIVE

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

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

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

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

1,628,500

Required:

Calculate the following variables indicating whether Favourable or Adverse.

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