KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2019/2020 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

MAIN EXAMINATION

SPECIAL/SUPPLEMENTARY

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 208/BCA221

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: 16TH FEBRUARY,2021 **TIME:8.00AM – 10.00AM**

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 HOURS

SECTION A

QUESTION ONE (COMPULSORY)

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

b) Explain five important conditions for effective costing system (10marks)

c) Differentiate between

i. Period costs and product costs (2marks)

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

iii. Sunk costs and differential costs (2marks)

d) Highlight four assumptions of the Cost Volume Profit Analysis (4marks)

SECTION B

QUESTION TWO

Kanga Ltd has three production departments A,B,C and two service departments X and Y. The following is their budgeted factory overheads for the year ended 30 September 2015.

	Shs.	Shs.
Production departments		
A	240,000	
B	180,000	
C	220,000	640,000
Service departments		
X	86,000	
Y	44,000	130,000
		770,000

The service department costs are to be re-apportioned as per the following percentages

	A	B	C	X	Y
X	20	30	35	-	15
Y	30	30	30	10	-

Required:

Re-apportion the service departments' costs to the production departments using the simultaneous equation method. (20marks)

QUESTION THREE

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			
	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

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**
Sep 2008	28	70
Oct 2008	80	86
Nov 2008	124	11
Dec 2008	100	96
Jan 2009	60	72
Feb 2009	92	91
Mar 2009	86	88
Apr 2009	120	26

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)

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 Favorable or Adverse.

i. Material Price Variance and Usage Variance (6marks)

ii. Labour rate and Efficiency Variance (4marks)

iii. Total variance and Fixed overhead variance (10marks)