



**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2020/2021 ACADEMIC YEAR**  
**SECOND YEAR SECOND SEMESTER**  
**SPECIAL / SUPPLEMENTARY EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF COMMERCE**  
**COURSE CODE: BCA 208**  
**COURSE TITLE: MANAGEMENT ACCOUNTING**

**DATE:**

**TIME:**

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**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**

**This Paper Consists of 4 Printed Pages. Please Turn Over.**



## SECTION A

### QUESTION ONE (COMPULSORY)

- a) Explain the important conditions for effective costing system (5marks)
- b) Explain five differences between financial accounting and management accounting (10marks)
- c) Differentiate between
- iv. Direct product costs and indirect product costs (2.5marks)
  - v. Fixed cost and variable cost (2.5marks)
- d) Explain five purpose of management accounting (10marks)

### QUESTION TWO

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 THREE**

- a) Define standard costing and highlight any five advantages of standard costing (7marks)
- b) List any five assumptions that underline the Cost Volume Profit analysis (5marks)

c)The following data relates to be for a product X.

Standard cost of per unit of a product

- i. Direct material 4kg @ sh.60 per kg
- ii. Direct labour 2hrs @ sh.200 per hour

Actual results for a given period

- i. Direct material 6kg @ sh.60 per kg
- ii. Direct labour 2hrs @ sh.200 per hour

**Required:**

- i. Direct material usage variance (2marks)
- ii. Direct material price variance (2marks)
- iii. Direct labour rate variance (2marks)
- iv. Direct labour efficiency variance (2marks)

**QUESTION FOUR**

- a) 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. (20marks)

**QUESTION FIVE**

- a) EXPO Company Limited makes a chemical that passes through 3 production processes 1, 2 and 3. In the month of August 6,000 Litres of the basic raw material priced at Shs. 240,000.00 were introduced into process 1. Subsequently the following costs were incurred

ELEMENT OF COST	TOTAL	PROCESS		
		1	2	3
		Shs.	Shs.	Shs.
Direct material	87,500	30,000	40,000	17,500
Direct labour	110,000	40,000	50,000	20,000
Direct expenses	16,900	6,000	1,600	9,300

Normal loss per process was estimated as;

Process 1: 10%

Process 2: 5%

Process 3: 8%

Output (units) for each process was

Process 1: 5,300

Process 2: 5,000

Process 3: 4,700

The loss in each process represented scrap which could be sold with the following values:

Process 1: Shs.20 per unit

Process 2: Shs.44 per unit

Process 3: Shs.65 per unit

Additional information:

- i. There was no opening stock or closing stock
- ii. Production overhead is absorbed by each process on the basis of 50% of the cost of direct labour.

Required:

- a. Prepare separate process accounts (12marks)
- b. Prepare the Abnormal loss and Abnormal gains accounts (8marks)