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*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2021 / 2022 ACADEMIC YEAR**

**SECOND YEAR 2ND SEMESTER**  
**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL  
ECONOMICS & RESOURCE MANAGEMENT**

**COURSE CODE:** AEC 226

**COURSE TITLE:** INTRODUCTION TO MANAGERIAL  
ACCOUNTING

**DATE:** 10<sup>TH</sup> MAY 2022

**TIME:** 9 – 11 AM

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**INSTRUCTIONS TO CANDIDATES**

Answer Question ONE and any other TWO Questions

TIME: 2 Hours

This paper consists of 5 printed pages. Please Turn Over



KIBU observes ZERO tolerance to examination cheating

### Question One

- a) Differentiate between the following terminologies as used in managerial accounting
- (i) Product costs and period costs (3 marks)
  - (ii) Semi-fixed costs and semi-variable costs (3 marks)
  - (iii) Cost allocation and cost apportionment (3 marks)
- b) The standard quantity of materials for producing 1 unit of product "P" is 5 kg. The standard price is Ksh. 6.00 per kg. During a particular period, 500 units of "P" were produced. Actual material consumed was 2700 kgs at a cost of Ksh. 16200.
- c) Required:
- i. Material price variance (3 marks)
  - ii. Material usage variance (3 marks)
- d) State any two reasons as to why marginal costing is preferred to absorption costing in managerial decision making (3 marks)
- e) State the assumptions of cost volume profit (CV) analysis (3 marks)
- f) The following information was extracted from the books of Danex Holdings regarding its stocks:
- |      |                        |                |
|------|------------------------|----------------|
| i.   | Reorder quantity       | 1,800          |
| ii.  | Reorder period         | 4 weeks        |
| iii. | Maximum consumption    | 450 units/week |
| iv.  | Normal consumption     | 300 units/week |
| v.   | Minimum consumption    | 150 units/week |
| Vi   | Maximum reorder period | 5 weeks        |
| Vii  | Minimum reorder period | 3 weeks        |

#### Required

Determine the following stock levels for Danex Holdings:

- a. Re-order level (3 marks)
- b. Maximum stock level (3 marks)
- c. Minimum stock level (3 marks)

Question Two

- a) Mamboleo clothing factory has four departments. A, B and C are production departments while D is a service department. The actual cost for the financial year ended 31 December 2015 were as follows:

Rent	20000
Repairs	12000
Depreciation of plant	9000
Light and power	2000
Supervision	30000
Repairs to building	8000

The following information about the departments is used as a basis for distribution of costs.

	Departments			
	A	B	C	D
Area in sq. meters	1500	1100	900	500
No. of employees	20	15	10	5
Wages paid (sh.)	120000	80000	60000	40000
Value of plant (sh.)	300000	180000	120000	

Required:

Prepare an overhead analysis sheet, apportioning the above costs to the four departments and indicate the basis of apportionment in each case (12 marks)

- b) Clearly explain the following terms as used in managerial accounting. Give examples where appropriate.
- Target costing (2 Marks)
  - Throughput costing (3 Marks)
  - Budgeting (3 Marks)

### Question Three

The production manager for XYZ company is concerned about the apparent fluctuations in efficiency and wants to determine how labour costs (in shillings) are related to volume of production (in units). The following data presents results of the 6 most recent weeks

Week no	Units produced	Labour cost
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416

Required:

- (i) Estimate the cost function using High low method (10 Marks)
- (ii) Discuss your understanding by under-absorption and over-absorption of overheads stating the causes of such under or over-absorption of overheads and their treatment in cost accounts? (10 Marks)

### Question Four

The following information was extracted from the books Aida Ltd regarding their stocks as at 1<sup>st</sup> Jan 2015. The opening stocks was 400 units @ 50 Kshs each.

2/1/2015 received 350 units @ Ksh. 52

5/1/2015 received 600 units @ Ksh. 64

10/1/2015 received 450 units @ Ksh. 60

17/1/2015 received 720 units @ Ksh. 65

25/1/2015 received 300 units @ Ksh. 69

Issues

3/1/2015 issued 450 units

7/1/2015 issued 570 units

13/1/2015 issued 320 units

19/1/2015 issued 200 units

27/1/2015 issued 500 units

Required: Prepare a store ledger card using FIFO method (First in First Out). (20 marks)

Question Five

The budgeted production overheads and other budgeted data of calculata Ltd are as follows:

Budget

Overhead cost for the period = Kshs 36,000

Direct material cost

Direct labour cost

Machine hours

Direct hours of labour

Units of output

Production department

Kshs 32000

Kshs 40000

Kshs 10000

Kshs 18000

Kshs 10000

Required

Determine the absorption rate of the overheads

(20 Marks)