



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 221

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: 18TH JANUARY, 2022

TIME: 2.00PM - 4.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30**marks and each of the other two questions carry **20** marks each.

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 Five features of process costing (10 marks)
- b) Explain five differences between financial accounting and management accounting (10marks)
- c) Explain five purpose of management accounting (10marks)

QUESTION TWO

- a) Assume that the product manager of XYZ Limited is concerned about their current fluctuations in the efficiency and therefore want to determine how labour cost is related to volume of units produced. The results of the 12 most recent weeks are shown below.

Week number	Number of units (X)	Labour cost (Y)
1	34	340
2	44	346
3	31	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180
9	41	376
10	47	295
11	34	215
12	24	275

Required:

- i. Establish a cost function using the High-Low method. (15marks)
- ii. Assume that the number of units we expect to produce in the next period is 50. Estimate the labour cost to be in that period. (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

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 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)