



KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

MAIN EXAMINATION DAY

FOR THE DEGREE OF BACHELOR OF COMMERCE AND BACHELOR OF SCIENCE IN CO-OPERATIVE AND ENTREPRENUERSHIP MANAGEMENT

COURSE CODE:

BCA 221 / BCA 228

COURSE TITLE:

MANAGEMENT ACCOUNTING

DATE:17TH **MAY, 2022**

TIME: 9.00 - 11.00AM

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

SECTION A

OUESTION ONE (COMPULSORY)

- a) Explain any five ways of distinguishing Financial Accounting and Management Accounting (10marks)
- b) Highlight five assumptions of Cost Volume Profit analysis (5marks)
- c) Explain three important conditions for effective costing system (3marks)
- d) Differentiate between
 - i. Period costs and product costs (2marks)
 - ii. Direct product costs and indirect product cost (2marks)
 - iii. Fixed costs and Variable costs (2marks)
- e) Using a simple example, outline any three (3) features of process costing (6marks)

(Total 30 marks)

SECTION B

QUESTION TWO

XYZ Limited has three production departments and two service departments. The total overheads for each department are as follows:

Production Departments	Ksh.	
Manufacturing	10,000	
Assembly	3,400	
Painting	2,000	
Service Departments	Ksh.	
Maintenance	2,200	
Canteen	800	

The service department overheads are distributed to production departments as follows:

	Manufacturing	Assembly	Painting	Maintenance	Canteen
Maintenance	35%	40%	20%	-	5%
Canteen	45%	25%	25%	5%	-

Required:

Determine total costs in the XYZ Ltd using Simultaneous equation method. (20marks)

(Total 20 marks)

QUESTION THREE

The product of a company passes through 3 distinct process. The following information is obtained from the accounts for the month ending January 31, 2020.

Particulars	PROCESS - A	PROCESSS - B	PROCESS - C
Direct Material	7,800	5,940	8,886
Direct Wages	6,000	9,000	12,000
Production Overhead	6,000	9,000	12,000

3000 units @ ksh. 3 each were introduced to process - A. There was no stock of materials or work in progress. The output of each process passes directly to the next process and finally to finished stock A/c.

The following additional data is obtained:

PROCESS	OUTPUT	NORMAL LOSS	SCRAP VALUE PER UNIT (KSH)
Process - A	2,850	5%	2
Process – B	2,520	10%	4
Process – C	2,250	15%	5

Required:

i. Prepare Process A, B and C accountsii. Prepare Abnormal Gain or Loss account(14marks)(6marks)

(Total 20 marks)

QUESTION FOUR

XYZ limited has been awarded a contract to build a house. This is a contract No 45 for the company and the contract price is Ksh. 2.65 million. At the end of the company's financial year, the contract was 85% complete and hence regarded as being near completion. You are also provided with the following information about the contract.

Particulars	Ksh.	
Materials purchased and delivered	580,000	
Materials issued from the store	60,000	
Materials returned to the store	7,000	
Site expenses	300,000	
Site wages	200,000	
Plant sent to site	100,000	
Architects fees	30,000	
Plant returned from site	10,000	
Subcontractor's fees	105,000	

Head office overheads absorbed	60,000
77.1	0.11

Valuation at the year ending disclosed the following:

	*	Ksh.
Materials		19,500
Plant on site		50,000
Work done but not yet certified		60,000

Additional information:

- 1. The portion of the work which was completed during the year and certified by the architect was assessed as representing 75% of the whole contract price. The contractee made payments to this extent less 10% retention money.
- 2. The management of the company decided for the purpose of preparing the company's annual accounts to make a provision of a third of the notional profit against the possibility of defects and other contingencies arising later in respect of the work already certified for payment

Required

(a) Contract account (13marks)

(b) Amount of profit or loss to be taken to the main profit and loss account of the company (7marks)

(Total 20 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 variances for X and Y indicating whether Favourable or Adverse.

i.	Material Price Variance and Usage Variance	(6marks)
ii.	Labour rate Variance and Efficiency Variance	(6marks)
iii.	Variable overhead expenditure variance	(2marks)
iv.	Variable overhead efficiency variance	(2marks)
v.	Fixed overhead volume variance	(2marks)
vi.	Fixed overhead capacity variance	(2marks)

(Total 20 marks)