



**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: 17<sup>TH</sup> MAY, 2022**

**TIME: 9.00 – 11.00AM**

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**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**

## SECTION A

### QUESTION 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:

<b>Production Departments</b>	<b>Ksh.</b>
Manufacturing	10,000
Assembly	3,400
Painting	2,000
<b>Service Departments</b>	<b>Ksh.</b>
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 accounts (14marks)
  - ii. Prepare Abnormal Gain or Loss account (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



Fixed production overhead based on labour hours sh.4	<u>20</u>
	<u>125</u>

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	<u>220,000</u>
	<u>1,628,500</u>

**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)**