KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 208/BCA221

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: 6TH AUGIUST ,2021 TIME: 2.00 P.M – 4.00 P.M

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 HOURS

This Paper Consists of 5 Printed Pages. Please Turn Over.

SECTION A

QUESTION ONE (COMPULSORY)

a) Explain any five ways of distinguishing Financial Accounting and Management Accounting (10marks)

b) Explain five important conditions for effective costing system (5marks)

c) Differentiate between

i. Period costs and product costs (2marks)

ii. Direct product costs and indirect product costs (2marks)

iii. Fixed costs and variable costs(2marks)

d) Highlight five features of process costing (5marks)

e) Define standard costing and highlight any three advantages of standard costing (4marks)

SECTION B

QUESTION TWO

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 THREE

XYZ Limited produces a range of products which includes a soft drink which passes through three processes before completion and transfer to finished stocks store. During the Month of October 2012, the following data was obtained from the records of the company.

	PROCESS			
	X	Y	Z	TOTAL
	Sh.	Sh.	Sh.	Sh.
Basic raw materials (60,000 units)	36,000	-	-	36,000
Direct material added in process	53,100	57,000	33,000	143,100
Direct wages	24,000	36,000	72,000	132,000
Direct expenses	7,200	1,440	13,080	21,720
Production overheads				99,000
Output (units)	55,200	52,200	47,400	
Normal loss in process of input	10%	5%	10%	
Scrap value per unit (Shs.)	1.2	3.0	6.0	

Additional information:

i. Production overheads is absorbed as a percentage of direct wages

ii. There was no stock at the beginning or closing of any processes

Required:

i. Prepare separate process X, Y and Z accounts (15marks)

ii. Prepare the Abnormal loss and Abnormal gain accounts (5marks)

QUESTION FOUR

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 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 variables indicating whether Favourable or Adverse.

i. Material Price Variance and Usage Variance (6marks)

ii. Labour rate and Efficiency Variance (6marks)

iii. Total variance and Fixed overhead variance (8marks)