**CHUKA**                                    **UNIVERSITY**

# UNIVERSITY EXAMINATIONS

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF AGRIBUSINESS MANAGEMENT**

**AGBM 324: MANAGEMENT ACCOUNTING II**

**STREAMS: Y3S2**                                    **TIME: 2 HOURS**

**DAY/DATE: THURSDAY 19/04/2018**              **11.30 A.M – 1.30 P.M**

**INSTRUCTION:**

1.      (a) Describe the differences between process costing and job costing.      [6marks]

(b) The following costs were incurred on job J415 of Kamomo company

Direct materials                                    ksh 12,020

Direct wages    dept x            120 hrs @ ksh 60 per hour

                Dept y            80 hrs @ ksh 40 per hour

                Dept z            40 hrs @ ksh 100 per hour

The overheads of this department were estimated as follows:

Variable overheads

Dept x        ksh 15,000 for 1500 hours

Dept y        ksh 4,000 for 200 hours

Dept z        ksh 12,000 for 300 hours

Fixed overheads were estimated at ksh 40,000 for 2000 normal working hours.

**Required :**

Calculate the cost of the job no. 415 and the price to give a profit of 25% on selling price.

[10marks]

(c) A division of lube chemicals ltd is engaged in the production of two products A and B. These products are sold to external customers. Information regarding products, costs and sales levels are as follows.

|  | | Units | sp |
|---|---|---|---|
| Sales | product A | 2000 | 100 |
|  | B | 1500 | 120 |

Materials required to produce A and B are material X and Y as follows;

| Product | material | x | y |
|---|---|---|---|
| A | | 2 | 1 |
| B | | 3 | 4 |

Material X costs ksh 10 per kg while material Y costs ksh 7 per kg.

The stock of products and materials expected are as follows:

| Products | A | B |
|---|---|---|
| Opening stock | 100 | 200 |
| Closing stock | 200 | 150 |

| Materials | X | y |
|---|---|---|
| Opening stock | 300kg | 1000kg |
| Closing stock | 500kg | 700kg |

**Required:**

| | | |
|---|---|---|
| (i) | Sales budget in units and in shillings. | [2marks] |
| (ii) | Production budget | [4marks] |
| (iii) | Material usage budget (kg,ksh) | [4marks] |
| (iv) | Material purchase budget (kg,ksh) | [4marks] |

2. (a) The following data are available in respect to process II for February 2016.

(i) opening work in progress 800 units at a total cost of ksh 4000

(ii) Degree of completion of opening wip

Material 100%

Labour 60%

Overhead 60%

(iii) Transfer from process 1 9200 units valued at ksh 36,800

(iv) Transfer to process 3  7900 units

(v)The cost incurred during the period were;

Direct wages (labour)          16,740

Production overheads          8,370

(vi)Closing wip 900 units at the following stages of completion.

Material 100%

Labour 70%

Overhead 70%

(vii) 1200 units were scrapped at the following stage of completion.

Material          100%

Labour          80%

Overhead          80%

(viii) The normal loss is 8% of the total input (opening stock plus input units)

(ix) Scrap value is ksh 4 per unit.

**Required :**

| | | |
|---|---|---|
| (i) | Statement of equivalent production using fifo method. | [5marks] |
| (ii) | Statement of cost per equivalent unit | [5marks] |
| (iii) | Statement of cost evaluation | [5marks] |
| (iv) | Process II account. | [5marks] |

3.      V ltd manufactures a single product, the standard mix of which are as follows.

Materials A 60% at ksh 20 per kg

Material B 40% at ksh 10 per kg

Normal loss in the production is 20% of input

Due to shortage of material A, the standard mix was changed and the actual mix was as follows;

Material A 105kg at ksh 20 per kg

Material B 95kg at ksh 9 per kg

Actual loss was 35kg, while the actual output was 165kg.

**Required:**

(i)     Material cost variance                                         [4marks]
(ii)    Material usage variance                                       [3marks]
(iii)   Material mix variance                                         [5marks]
(iv)    Material yield variance                                       [4marks]

(b) Explain the need for standard costing and variance analysis.        [4marks]

4.      (a) The following transactions relate to item Alol stocked by excel products ltd for the month of sept 2016.

**Receipts**

**Date    quantity        unit cost**

3       2500            18

10      2700            21

17      3100            22

19      2800            21

25      2750            22

27      3200            23

30      3250            24

**Issues**

| Date | quantity |
|------|----------|
| 6 | 3300 |
| 16 | 2800 |
| 23 | 2250 |
| 26 | 3950 |
| 28 | 2600 |
| 30 | 6950 |

The closing balance for the month of August 2016 was a bath of 3000 units received at a unit price of ksh 20.

**Required :**

(i) Prepare a stores issue inventory record for item Alol using FIFO system and LIFO system. [14marks]

(ii) Explain the needs for a management accounting system in an organization. [6marks]

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