

CHUKA



UNIVERSITY

SUPPLEMENTARY / SPECIAL EXAMINATIONS

**THIRD / SECOND YEAR EXAMINATION FOR THE AWARD OF BACHELOR
DEGREE IN**

AGBM 222/ AGBM 310 : MANAGEMENT ACCOUNTING

STREAMS:

TIME: 2 HOURS

DAY/DATE: TUESDAY 17/11/2020

11.30 A.M - 1.30 P.M.

INSTRUCTIONS:

- Answer Question One And Any Other Two

QUESTION ONE

1. (a) Kebokero Brothers Ltd has provided you with the following information:

Selling price per unit Shs.300

Variable cost per unit Shs.200

Fixed costs Shs.50,000

Required:

B.E.P in units & Shillings [5 marks]

ii) Assuming the company is in a 30% tax bracket, how many units will the Company sell to earn a target income of ksh 10,000. [5marks]

(iii) State any four assumptions of Break Even point analysis. [4marks]

b) The following data relates to product excel of excel ltd

Year	output	Total production costs '000'
2000	180	3200
2001	200	3600
2002	400	7000
2003	300	3530

2004

320

3820

The company would like to estimate the relationship between cost and output
Required:

Estimate the cost function using;

(i) High low method. [4marks]

(ii) Regression analysis method. [7marks]

c) Explain the need for management accounting system in an organization [5marks]

QUESTION TWO

Distinguish between the following cost terminologies giving relevant examples

(i) Cost apportionment and costs allocation [3 marks]

(ii) Cost unit and unit cost [3 marks]

(iii) Implicit cost and explicit cost [3 marks]

(iv) Product cost and period cost [3 marks]

(v) Scrap and Waste (3marks)

(b) Differentiate between job costing and process costing. [5 marks]

QUESTION THREE

Zamba Ltd makes and sells a single product. It is considering its plans for next financial year. The budgeted costs and selling prices for the product are as follows:

	Ksh per unit
Selling price	45
Direct materials	11
Direct labour	8
<u>Production overhead:</u>	
Variable	4
Fixed	3
<u>Selling overhead:</u>	
Variable	5
Fixed	2
<u>Administration overhead:</u>	
Fixed	3

Fixed costs per unit are based on a normal annual activity level of 96,000 units.

These costs are expected to be incurred at a constant rate throughout the year.

Activity levels in January are expected to be as follows:

January

Sales in units	7,000
Production in units	8,500

There will be no opening stock held at the beginning of January

Required:

(a) Prepare the profit statement for January using:

- (i) Absorption costing [8 Marks]
- (ii) Marginal costing [8 Marks]
- (iii) Why is Marginal costing Preferred to Absorption costing [4 marks]

QUESTION FOUR

A product passes through three production processes A, B and C. the normal wastage of each process is A, B and C is 3%, 5% and 8% respectively. Scraps of process A was sold at 25 cents per unit, that of process B at 50 cents per unit and that of process C at sh. 1 per unit. 10,000 units, were issued to process A in the beginning of October 2005 at a cost of sh 1 per unit. The other expenses incurred were as follows:

	Process A	Process B	Process C
Additional material	(sh) 1000	1500	500
Direct labour	(sh) 5000	8000	6500
Direct expenses	(sh) 1050	1188	2009
Actual output	9500 units'	9100units	8100 units

There were no opening and closing stocks

Required:

- (i) Process accounts for process A, B and C [15 marks]
- (ii) Abnormal loss account [3 marks]
- (iii) Abnormal gain account [2 marks]

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