

TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE
DIPLOMA IN ACCOUNTANCY
DIPLOMA IN BUSINESS ADMINISTRATION
TIME: 2 HOURS

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

BAC 2210 MANAGEMENT ACCOUNTING II

Question 1(Compulsory)

a.) Draw up a cash budget for Ondiek, showing balance at the end of each month, from the following information for the six months ended 31st December 2002:

- a.) Opening cash balance sh.12,000
- b.) Product in units

2002

Apr.	May	June	July	Aug	Sept	Oct	Nov	Dec
2,400	2,700	3,000	3,200	3,500	3,700	3,800	3,400	3,100

2003

Jan	Feb
2,600	2,500

- c.) Raw materials used in product cost sh.50 per unit, of this 80% is paid in the month of production and 20% in the month after production.
- d.) Direct labour cost of sh, 80 per unit are payable in the month of production.
- e.) Variable expenses are sh.20 per unit, payable one-half in the same month as production and one-half in the month as production and one-half in the month following production.
- f.) Sales at sh.200 per unit.

2002

March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2,600	2,000	3,200	2,900	4,000	3,000	3,500	4,000	3,900	4,000

Debtors pay three months after month in which sales is made

- g.) Fixed expenses of sh.4, 000 payable each month.
- h.) Machinery costing sh.20, 000 to be paid for in October 2002.
- i.) Drawings to be sh.300 per month.

(20 marks)

b) Write short notes on the following:

- i.) Revenue centers
- ii.) Cost centers
- iii.) Profit centers
- iv.) Investment centers

(10marks)

QUESTION 2

Determine the initial basic feasible solution to the following transportation problem using North-west corner method and least cost method.

	Mill1	Mill 2	Mill 3	Mill 4	Supply
Silo 1	Y ₁₁ 10	Y ₁₂ 2	Y ₁₃ 20	Y ₁₄ 11	15
Silo 2	Y ₂₁ 12	Y ₂₂ 7	Y ₂₃ 9	Y ₂₄ 20	25
Silo 3	Y ₃₁ 4	Y ₃₂ 14	Y ₃₃ 16	Y ₃₄ 18	10
Demand	5	15	15	15	

(20 marks)

QUESTION 3

a.) Using relevant examples in Kenyan economy discuss the various types of standards applied in organizations. **(8 marks)**

b.)

i. The material for one unit of deluxe product is 2 tons at sh.150 per ton.11, 000 tons were used at a cost of sh.1, 760,000 and 6,000 units were produced. Calculate the material cost variances. **(6 marks)**

ii. Calculate the labour cost variances from the following :

Standard rate per hour sh,8

Standard time per unit 21/2 hours

The paid at sh.9 per hour 50,000 hour

Production achieved 18,000 units.

(6 marks)

QUESTION 4

a.) Calculate the labour cost variances from the information below:

Standard rate per hour sh.10

Standard time per unit 2 hours

Time worked 4250 hours

Time paid (4326) shs.42, 500

Production achieved 2,180 units.

(10 marks)

b.) There is dire need for organization to utilize its scarce resources. Discuss the role of budgeting in light of this.

(10 marks)

QUESTION 5

a.) Discuss the advantages and disadvantages of transfer pricing.

(10 marks)

b.) For accounting to be relevant in organizations, the benefits should exceed costs(Cost-Benefit Analysis)Discuss the various parties who find accounting useful and how they find it useful.

(10 marks)