



TECHNICAL UNIVERSITY OF MOMBASA
School of Business

DEPARTMENT OF ACCOUNTING & FINANCE

DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN ACCOUNTANCY

BAC 2210: MANAGEMENT ACCOUNTING II

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: JUNE/JULY 2015

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Four printed pages.

QUESTION 1 (Compulsory)

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

- a. Opening cash balance £ 1,200
- b. Production in units

2002

April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
240	270	300	320	350	370	380	340	310

2003

Jan.	Feb.
260	250

- c. Raw materials used in production cost £5 per unit of this 80% is paid in the month of production and 20% in the month after production.
- d. Direct labour costs of £8 per unit are payable in the month of production.
- e. Variable expenses are £2 per unit, payable ½ in the month of production and ½ in month following production.
- f. Sales at £20 per unit.

2002

Mar	April	May	June	July	Aug.	Sept	Oct.	Nov.
260	200	320	290	400	300	350	400	390

Dec.

400

Debtors to pay their accounts three months after that month in which sales are made.

- g. Fixed expenses of £400 per month payable monthly
- h. Machinery costing £2,000 to be paid for in October 2002
- i. Will receive legacy of £2,500 in December 2002
- j. Drawings to be £30 per month.

(20 marks)

QUESTION 2

a)

To \ From	Mill 1	Mill 2	Mill 3	Supply
Silo 1	sh. 50	sh. 40	sh. 30	100
Silo 2	sh. 80	sh. 40	sh. 30	300
Silo 3	sh. 90	sh. 70	sh. 50	300
Demand	300	200	200	700

Determine the optimal solution for the above transportation model using the least cost method.

(10 marks)

b) State and explain the purpose of Management Accounting to an enterprise.

(10 marks)

QUESTION 3

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

b) Standard rate per hour sh. 8

Standard time per unit 2 ½ hours

Time worked, 42,000 Hrs

Time paid at sh. 9 per hour 50,000 hours production achieved 18,000 units.

(6 marks)

c) State and explain the importance of standard costing to an organization.

(8 marks)

QUESTION 4

a) Discuss the concept of transfer pricing stating its advantages to an organization.

(10 marks)

b) Discuss how the various parties find accounting information useful.

(10 marks)

QUESTION 5

a)

	Riziki	Kenga	Hassan
Project 1	Sh. 1,500	Sh. 1,000	Sh. 900
Project 2	Sh. 900	Sh. 1,500	Sh. 1,000
Project 3	Sh. 1,000	Sh. 1,200	Sh. 800

Required:

Using assignment technique, determine the optimal allocation of the people to the projects.

(12 marks)

b) Discuss challenges businesses face as they prepare budget and how they can be overcome.

(8 marks)