TECHNICAL UNIVERSITY OF MOMBASA

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN PROCUREMENT AND MATERIALS MANAGEMENT
DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN BUSINESS MANAGEMENT
DIPLOMA IN ACCOUNTANCY

BAC 2202: MANAGEMENT ACCOUNTING I

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 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) Discuss the differences between management accounting and financial accounting. **(10 marks)**

b) XYZ Ltd makes cakes for which the standard costs card is as follows:

	Shs.
Materials	2
Labour	3
Variable production overhead	3
Fixed production overhead	4
Variable selling overhead	1
Fixed selling overhead	2
Profit	5
Selling price	**20**

Both types of fixed overheads were based on a budget of 10,000 cakes a year.
In the first year of production the only difference from the budget was that XYZ Ltd produced 11,000 cakes and sold 9,000.

Required:

i) Marginal costing profit statement. **(8 marks)**

ii) Absorption costing profit statement. **(8 marks)**

c) A company has an annual demand for product "Z" of 60,000 units per annum. The costs price per unit is sh. 4,500 and stock holding is $33\frac{1}{3}$% per annum of the stock value. Delivery costs per batch is sh. 320.

Required:

Calculate the E.O. Q. **(4 marks)**

QUESTION 2

The total costs and output volumes of a manufacturing company in the first six months of the year have been as follows:

Month	**Output**	**Total costs**
January	5,000	146,000
February	7,000	152,000
March	6,000	148,000
April	5,000	142,000
May	8,000	164,000
June	6,000	152,0000

Required:

a) Using the regression analysis:
   i) Estimate cost function
   ii) Estimate the expected costs in September if output volume is expected to be 800 units.

b) Compute the correlation coefficient. **(20 marks)**

QUESTION 3

a) What are the basic assumptions of break-even analysis. **(4 marks)**

b) Hamigo Consumer Products Ltd manufactures products S and T and the following information is available from its record

Product S	**Shs.**	**Product T**	**Shs.**
Selling price per unit	20	Selling price per unit	24
Variable cost per unit	4	Variable cost per unit	16
Fixed costs of operation per month	100,000	Fixed costs of operations per month	68,000

Required:

i) Break-even point of each products in units and sales. **(6 marks)**

ii) Profit of each product if sales in units are 30% above break-even points. **(6 marks)**

iii) Profits of each if sales promotions of shs. 100,000 is incurred on each product and as a result sales units for each product increased by 50% above break-even point. **(4 marks)**

QUESTION 4

The trading results of ABC Company Ltd for the first year of business which ended 31st December 2008 are expected as follows:

Sales (at shs. Per unit)		Shs.
Less:	Shs.	400,000
Materials	160,000	
Labour	64,000	
Variable overhead	40,000	
Fixed overhead	60,000	324,000
Profit		76,000

During 2008 the factory has been working at 50% capacity and marketing manager has estimated that the quantity sold could be doubled in 2009 if the selling price was reduced to sh. 4 per unit. No change is anticipated in unit variable cost but certain administrative changes to cope with the additional volume of work increase fixed costs by sh. 10,000.

Required:

a) Evaluate the marketers proposal. **(10 marks)**

b) Assuming the market price was reduced as proposed, unit variable costs remaining as in 2008 and fixed overhead increased by Ksh. 10,000. Calculate what quantity would need to be sold in 2009 to field a profit of sh. 105,000. **(10 marks)**

QUESTION 5

a) A company produces three products for which the following data have been provided:

	Product			
	X	Y	Z	**Total**
Sales	200,000	160,000	190,000	550,000
Total costs	140,000	180,000	190,000	410,000
Profit/Loss	60,000	(20,000)	100,000	140,000

Total cost comprises 80% variable and 20% fixed.

The directors of the company consider that the product “Y” show a less, so it should be dropped or discontinued.

Required:
Advise the management whether to drop the product Y or not. **(10 marks)**

b) What factors are considered when setting the stock levels in a given organization. **(10 marks)**