

**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 31<sup>st</sup> December 2002:

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

**2002**

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

**2003**

<b>Jan</b>	<b>Feb</b>
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**

<b>March</b>	<b>Apr</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
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 <sub>11</sub> 10	Y <sub>12</sub> 2	Y <sub>13</sub> 20	Y <sub>14</sub> 11	15
Silo 2	Y <sub>21</sub> 12	Y <sub>22</sub> 7	Y <sub>23</sub> 9	Y <sub>24</sub> 20	25
Silo 3	Y <sub>31</sub> 4	Y <sub>32</sub> 14	Y <sub>33</sub> 16	Y <sub>34</sub> 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 2 1/2 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)**