



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE
UNIVERSITY EXAMINATION FOR
DIPLOMA IN ACCOUNTING
DIPLOMA IN BUSINESS ADMINISTRATION
BAC 2210: MANAGEMENT ACCOUNTING II
END OF SEMESTER EXAMINATION

SERIES: APRIL 2022

TIME: 2 HOURS

INSTRUCTION: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS.

QUESTION 1 (COMPULSORY)

(a) Bamburi Ltd makes one product, X. Two types of labour are involved in the preparation of one unit of product X, skilled and semi-skilled. Skilled labour is paid sh. 1,000 per hour and semi-skilled sh. 500 per hour. Twice as many skilled labour hours as semi-skilled labour hours are needed to produce one unit of product X, four semi-skilled labour hours being needed.

One unit of X is made up of three different direct materials. 7 kilograms of direct material E, 4 litres of direct material N and 3 metres of direct material S are needed. Direct material E costs sh. 100 per kilogram, direct material N sh. 200 per litre and direct material S sh. 300 per metre

Variable production overheads are incurred at Bamburi Ltd at the rate of sh. 250 per direct labour (skilled) hour.

A system of absorption costing is in operation at Bamburi Ltd. The basis of absorption is direct labour (skilled) hours. For the forthcoming accounting period, budgeted fixed

production overheads are sh. 25million and budgeted production of product X is 5,000 units.

Administration, selling and distribution overheads are added to products at the rate of sh. 1,000 per unit.

A mark-up of 25% is made on product X.

Required,

Using the above information, prepare a standard cost card for product X. (10marks)

(b) Sokoto multinational company has two divisions, A and B, whose respective performances are under review.

Division A is currently earning a profit of sh.35million and has net assets of sh150million.

Division B currently earns a profit of sh. 70million with net assets of sh. 325million.

Sokoto has a current cost of capital of 15%.

Required;

Using the above information, calculate ROI and RI figures for the two divisions under review and comment on your results. (10 marks)

(c) Discuss the functions of budgets. (10 marks)

(Total = 30 marks)

QUESTION 2

XYZ company produces three products X, Y and Z. For the coming accounting period budgets are to be prepared based on the following information:

Budgeted sales

Product X	2,000 units @ sh. 100
Product Y	4,000 units @ sh. 130
Product Z	3,000 units @ sh. 150

Budgeted usage of raw materials

	Raw material 11	Raw material 22	Raw material 33
Product X	5kg	2kg	-
Product Y	3kg	2kg	2kg
Product Z	2kg	1kg	3kg
Cost per kg of material	Sh. 5	Sh. 3	Sh. 4

Finished inventories budget

	Product X	Product Y	Product Z
Opening	500	800	700
Closing	600	1,000	800

Raw materials inventory budget in kgs

	Raw material 11	Raw material 22	Raw material 33
Opening	21,000kg	10,000kg	16,000kg
Closing	18,000kg	9,000kg	12,000kg

Labour budget

	Product X	Product Y	Product Z
Expected hours per unit	4	6	8
Expected hourly rate	Sh. 9	Sh. 9	Sh. 9

Required;

Prepare the following:

- (a) Sales budget (4marks)
- (b) Production budget (4marks)
- (c) Material usage budget (4marks)
- (d) Material purchases budget (4marks)
- (e) Labour budget (4marks)

(Total= 20 marks)

QUESTION 3

Discuss the decision-making process.

(20 marks)

QUESTION 4

Bahari Co. Ltd has prepared the following standard cost information for one unit of product A

Direct materials	4kg @ sh. 100 per kg
Direct labour	2 hours @ sh. 40 per hour
Fixed overheads	3 hours @ sh. 25

The fixed overheads are based on budgeted expenditure of sh. 750,000 and budgeted activity of 30,000 hours.

Actual results for period were recorded as follows:

Production	9,000 units
Materials – 33,600kg	Sh. 3,360,000
Labour – 16,500 hours	Sh. 685,000
Fixed overheads	Sh. 700,000

Required;

Calculate the following:

- (a) The direct material price and usage variances (7 marks)
- (b) The direct labour rate and efficiency variances (7 marks)
- (c) The total fixed production overhead variance (6 marks)

(Total = 20 marks)

QUESTION 5

- (a) Compare and contrast the use of residual income (RI) and return on investment (ROI) in divisional performance measurement, stating the advantages and disadvantages of each.

(9 marks)

(b) Division Y of Coca-cola company currently has capital employed of sh. 100,000,000 and earns an annual profit after depreciation of sh. 18million. The divisional manager is considering an investment of sh. 10million in an asset which will have a 10-year life with no residual value and will earn a constant annual profit after depreciation of sh. 1.6million. The cost of capital is 15%.

Required;

Calculate the following and comment on the results:

- (i) The return on divisional investment, before and after the new investment. (5½ marks)
- (ii) The divisional residual income before and after the new investment. (5½ marks)

(Total = 20 marks)