TECHNICAL UNIVERSITY OF MOMBASA

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION

BAC 4203 : MANAGEMENT ACCOUNTING

END OF SEMESTER EXAMINATIONS
SERIES: AUGUST 2013
TIME: 2 HOURS

INSTRUCTIONS:

– Answer Question **ONE (Compulsory)** and any other **TWO** questions.

This paper consists of Four printed pages

QUESTION 1 (Compulsory)

a) Explain any five (5) assumptions of that under cost volume profit analysis. (10marks)

b) Super. Sales international to the exclusive distributor for a revolutionary book bag. The product sells for sh.40 per unit. Variable costs are sh.28 per book bag and fixed expenses associated with the book bag total sh. 150,000 per month the campany is currently selling 15,000 book bags per month.

Required:

i) The number of units to be sold cash month to if the tax rate is 40% (5marks)

ii) Compute the campany's margin of safety both in shillings and percentage term. (4marks)

iii) Compute the company's margin of safety both on shlllings and percentage term. (4marks)

iv) If monthly sales increases by 25% selling price decreases by 6.25% variable costs increases by 10% and fixed costs remain the same by how much would the monthly net after tax profit increase. (7marks)

QUESTION 2

Jamaica International LTD Manufacturers posho mills one of the parts required during manufacturing process is component Q. Currently component Q is manufactured in department A of the company. Duiring the preceding twelve months, 150,000 units of component Q more manufactured at the follow of costs to the division.

Direct materials	200,000
Direct wages	150,000
Manufacturing of overheads	400,000.

The company has received an offer from Maneno enterprises to purchase component q at sh. 4 per unit instead of manufacturing it internally.

Additional information:

i) Twenty five percentage of the manufacturing overheads for component Q are variable.
ii) Of the fixed overheads, sh.150,000 represents an allocation of general overheads which would be incurred bt Jamaica international ltd, whether the company purchases component or manufacturer it.

Required

i) Advise famila international ltd on whether to manufacture component q internally or purchase it from Maneno Enterprises. (12marks)
ii) Explain four (4) factors other than costs that may influence the decision on whether to buy or make. (8marks)

QUESTION 3

a) The following information relates to Maneno ltd from November 2006 to July 2007.

Month	sales.(sh)	purchases(sh.)
Novemebr	450,000	300,000
December	480,000	330,000
January	480,000	270,000
February	510,000	270,000
March	800,000	240,000
April	800,000	390,000
May	540,000	420,000
June	540,000	180,000
July	800,000	180,000

Additional information:

i) Cash in hand at the end of Dec.2006 was sh.540,000

ii) 60% of the sales are recived in the current month 30% in the following month and the balance received in two months after sales.
iii) Suppliers are paid one month after delivery
iv) It was agreed that 50% of the goods to be sold are acquired a month before the month of sales
v) Carporate tax for 2006 amopunting to sh.60,000 was paid in 30th April 2007.
vi) It was agreed capital be increased by sh.210,00 and the 1st and balance in September 2007.
vii) In May 2007, the company received a final dividend on ordinary shares of sh.60,000.

Required:

A cash budget for the period January 2007 to July 2007. (10marks)

Briefly explain five (5) limitations of a budget. (5marks)

QUESTION 4

The following data were taken from the cost and production records of Muji LTD for the month of June and July 2007.

Selling price	Sh.
Selling price	50
Direct material cost	18
Direct labour cost	4
Variable production overheads	3

Monthly costs.

Fixed production overheads	99,000
Fixed sells of expences	15,000
Fixed Administrative expenses	25,000

Variable selling costs are 10% of sales revenue.

	Sales	**production**
June	10,000	12,000
July	12,000	10,000

Required:

Profit statement for the months of June and July using:

i) Variable costing method
(10marks)
ii) Full costing method
(10marks)

QUESTION 5

a) A company has been making a machine to order for a customer but the customer has since gone into liquidation and these is no prospect that any money will be obtained from the win=ding up of the company.
   Costs incurred to date in manufacturing the machine are sh50,000 and progress payment of sh.15,000 had been received from the customer before liquidation. The sales department has found another company willing to buy the amachine for sh.34,000 once ir works, the following costs would be incurred.

   i) Materials these have been bought at a cost of sh.6,000. They do not have other use and if the machine is not finished, they would besold as scrap for sh.2,000.
   ii) Further labour cost would be sh.8,000. Labaour is not in short supply and if the machine is not finished the markforce would be switched to another job, which would earn sh. 30,000 in revenue and incurs a direct cost of sh.12,000 and absorbed (fixed) overheads of sh.8,000.
   iii) Constanly fee of sh4,000. If the work is not finished, the consultants contract would be cancelled at a cost of additional work.

Required.

Assess whether the new customer order should be accepted. (15marks)