



TECHNICAL UNIVERSITY OF MOMBASA

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN BUSINESS ADMINISTRATION

DIPLOMA IN ACCOUNTANCY

BAC 2201: MANAGEMENT ACCOUNTING II

END OF SEMESTER EXAMINATIONS

SERIES: AUGUST 2013

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.

This paper consists of Four printed pages.

QUESTION 1 (Compulsory)

- a) Briefly explain the reasons as to why entities publish social reports. **(5marks)**
 b) Elaborate on the role of management accounting in the management process. **(10marks)**
 c) Baraka ltd company produce two products; A and B. It operates in two Countries i.e country 1 and country 2. The sale quantities of the two products Are as follows.

Country	Products	
	A	B
I	20,000	12,000
II	16,000	15,000

The selling price is sh.100 and sh.200 for product A and B respectively. The desired closing stocks are 6,000 units of A and 7,000 units of B at the end of the operating period. The opening stock level are 2000 units of A and 1000 units of B. The total production at the end of the operating period was 40,000 units of A and 33,000 units of B.

Assume that product A require 10kg/units of raw material M₁ and 5kg of material M₂. On the other hand product B requires 6 kg of M₁ and 8kg of M₂.

The standard cost of M₁ is sh.20 per kg and that of M₂ is sh.15 per kg.

The desired opening stock was 20,000kg and 40,000kg for M₁ and M₂ respectively. It is the desire of the management to have in closing stock 25,000kg of M₁ and 30,000kg of M₂.

Required: prepare;

- i) The raw material requirement budget **(10marks)**
 ii) The raw material cost budget. **(5marks)**

QUESTION 2

- i) From the following data of chidze investment Limited company relating to actual and Budgeted performance for the month of July, 2013, compute the Direct material and Direct labour variances.

Budgeted data for July:

Units to be manufactured	150,000
Units of direct material required (based on standard rates)	495,000
Planned purchase of raw materials (units)	540,000
Average unit cost of direct material	sh.8
Direct labour hours per unit of finished goods	$\frac{3}{4}$ hours
Direct labour cost (Total)	sh. 2,292,500

Actual data at the end of JULY:

Units actually manufactured	160,000
Direct material cost(purchase cost based on units actually issued)	sh. 4,341,900
Direct material cost (purchase cost based on units actually purchased)	Sh.4,510,000
Average units cost of direct material	sh. 8.20
Total direct labour hours for July	125,000
Total direct labour cost for July	sh. 3,375,000 (20marks)

QUESTION 3

An organisation has 3 outlets with a total of 80 fridges. An order is received from the local county for 70 fridges to be delivered to 4 colleges. The transport costs from the outlets to colleges are shown below together with the availabilities and requirements.

		Colleges				
		A	B	C	D	
	Fridges	20	30	15	5	} Requirements.
Outlet I	40	2	4	1	6	
Outlet II	20	4	3	3	3	} Costs.
Outlet III	20	1	2	5	2	

It is required to make the most economic deliveries.

Required:

- Set up the initial tableau and make the initial feasible deliveries. (5marks)
- Work out the shadow prices for the tableaus in question (5marks)
- Solve the problem in question. (10marks)

QUESTION 4

The procurement manager of Barwaka limited is preparing a budget for the accounting year starting from 1st July 2013. As part of the budget operations, some items of factory overhead costs have been estimated by him under specified conditions as follows.

Volume of production (units)	120,000	150,000
<u>Expenses</u>	<u>shs.</u>	<u>Shs.</u>
Indirect labour	264,000	330,000
Indirect materials	150,000	187,500
Maintenance	84,000	102,000
Supervision	198,000	234,000
Engineering service	94,000	94,000

Required:

- Calculate the cost of factory overhead items given above at 140,000 units of production. (15mark)
- Explain the importance of budgets. (5mark)

QUESTION 5

The standard cost card for a certain product sunking reveals.

Standard materials	shs.
2kg of A sh. 2 per kg	4.00
1kg of B sh. 6 per kg	6.00
Direct labour (3 hours @ sh. 6 per hour)	18.00
Variable overhead (30,000hours @ sh. 4 per direct labour	12,00
Total standard cost per unit	<u>40,00</u>

It is proposed to produce 10,000 units of 'SUNKIN'G in the month of March and budgeted cost based on the information contained I the standard cost card as follows:

Direct materials sh.

A 20,000 kg @ sh. 2per kg	40,000
B 10,000 kg @ sh. 6per kg	60,000
Direct labour (30,000 hours @ sh.6.40 per hour)	180,400
Variable overheads (30,000hours @4 per direct labour	<u>120,000</u>
	<u>400,000</u>

The actual results are:

Direct materials	sh.
A 19,000kg !sh 2.20pe kg	41,800
B 10,000kg @ sh.5.60 per kg	56,560
Direct labour(28,500hrs @ sh.6.40 per hour)	182,400
Variable overheads	<u>104,000</u>
	<u>384,760</u>

Actual production was 9,000 units

Required: From the above information, calculate the following variances

- a) Materials: price and usage. (6marks)
- b) Labour : wage rate and labour efficiency. (6marks)
- c) Idle time (3marks)
- d) What is material cost variance? (1mark)
- iii) What are possible causes for the above variance (4marks)