



KIBABII UNIVERSITY COLLEGE

(A Constituent College of Masinde Muliro University of Science Technology)

P.O. Box 1699-50200 Bungoma, Kenya

Tel. 020-2028660/0708-085934/0734-831729

E-mail: enquiries@kibabiiuniversity.ac.ke

UNIVERSITY REGULAR EXAMINATIONS

2012/2013 ACADEMIC YEAR

FOR THE DEGREE OF BACHELOR OF

BUSINESS MANAGEMENT

COURSE CODE: BBM 208

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: 26th August 2013

TIME: 9.00am-12 noon

Instructions to Candidates

- Answer question one (Compulsory) and any other Two Question

QUESTION ONE (COMPULSORY)

- a) Describe the main purpose of Cost Accounting (5marks)
- b) Explain any five ways of distinguishing Cost Accounting and Financial Accounting (5 marks)
- c) EXPO Company limited makes a chemical that passes through 3 production processes 1,2 and 3. In the month of August 6,000 litres of the basic raw material priced at shs. 240,000.00 were introduced into process 1. Subsequently the following costs were incurred.

ELEMENT OF COST	TOTAL	PROCESS		
		1	2	3
		Shs	Shs	Shs
Direct material	87,500	30,000	40,000	17,500
Direct Labour	110,000	40,000	50,000	20,000
Direct expenses	16,900	6,000	1,600	9,3000

Normal loss per process was estimated as;

Process 1:10%

Process 2:5%

Process 3:8%

Output (Units) for each process was

Process 1:5,300

Process 2: 5,00

Process 3: 4,700

The losses each process represented scrap which could be sold with the following values:

Process 1: Shs. 20 per unit

Process 2: Shs. 44 per unit

Process 3: Shs 65 per unit

Additional information

- i. There was no opening stock or closing stock.

- ii. Production overhead is absorbed by each process on the basis of 50% of the cost of direct labour.

Required

- a) Prepare separate process accounts
- b) Prepare the Abnormal loss and Abnormal gains accounts

QUESTION TWO

Assume that the Production Manager of Nzoia Sugar Company Limited is concerned about their current fluctuation in the efficiency and therefore want to determine how labour cost is related to volume of units produced . The results of the 10 most recent weeks are shown below.

Week Number	Number of Units (X)	Labour cost (Y)
1	400	960
2	240	880
3	80	480
4	400	1,200
5	320	800
6	240	640
7	160	560
8	480	1,200
9	320	880
10	160	440

Required

- i. Establish a cost function using the least square method of regression analysis. (17 marks)
- ii. Assume that the number of units that the production manager expects to produce in the next period is 50 units. Estimate the labour cost to be incurred in that period (3 marks)

QUESTION THREE

- a) Define standard costing and highlight any Five advantages of standard costing (7 marks)
- b) List any five assumption that underline the cost volume profit analysis (5 marks)
- c) The following data relates to be for product X

Standard cost of per unit of a product

- i. Direct material 4kg @ sh. 60 per kg
- ii. Direct labour 2 hours @ shs. 200 per hour

Actual results for a given period

- i. Direct material 6kg@ per kg
- ii. Direct labour 2 hours @ sh. 200 per hour

Required:

- i. Direct material usage variance (2 marks)
- ii. Direct material price variance (2 marks)
- iii. Direct labour rate variance (2 marks)
- iv. Direct labour efficiency variance (2 marks)

QUESTION FOUR

a) A process produces three joint products M, N, O. The appropriate data were as follows:-

M- 400 kg sold at shs 12.50

N - 300 kg sold at shs 20.00

O - 200 kg sold at shs. 25.00

The total joint costs were shs. 11,000.00

Apportion the cost using physical unit basis and sales value basis

- b) Define over heads and explain two types of overheads (5 marks)
- c) Highlight five functions of a budget (5 marks)