

KABARAK



UNIVERSITY

EXAMINATIONS

2008/2009 ACADEMIC YEAR

**FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT & INFORMATION TECHNOLOGY**

COURSE CODE: BMIT 312

COURSE TITLE: MANAGERIAL ACCOUNTING

STREAM: Y4S2, Y4S1, Y3S1

DAY: FRIDAY

TIME: 9.00 – 12.00 P.M.

DATE: 20/03/2009

INSTRUCTIONS:

- Answer question one (25 Marks) and any other 5 questions (15 Marks)
- Show your workings clearly

PLEASE TURN OVER

QUESTION ONE

- a) Management accounting is also known as internal accounting. Briefly discuss this statement. (5mks)
- b) One of the duties of a management accountant in an organization is planning. Discuss this statement using the status of a management accountant and explaining any four functions of management accounting. (10mks)
- c) With illustrators of examples briefly explain the following terms:
- i) Linear variable costs (2mks)
 - ii) Semi variable costs (2mks)
 - iii) Sunk Costs (2mks)
 - iv) Break-even charts (2mks)
 - v) Budgets (2mks)

QUESTION TWO

- a) What do you understand by apportionment of overheads? (3mks)
- b) A factory whose overheads for the year ending 31st December 2006 are as follows:

<u>Indirect materials</u>	<u>Shs</u>
Department A	50,000
Department B	65,000
Department C	15,000
Department D	21,000
Department E	20,000
Department F	11,000

<u>Indirect wages</u>	
Department A	45,000
Department B	60,000
Department C	55,000
Department D	37,000
Department E	20,000
Department F	27,000

<u>Other overheads</u>	
Rent rates	105,000
Insurance	25,000
Depreciation	300,000
Power	90,000
Light and heat	40,000

The following information is also available:

Departments	Area in Square metres	Book value (sh)	Effective (H.P)
A	1,000	500,000	50
B	750	900,000	40
C	1,500	200,000	-
D	500	300,000	10
E	750	50,000	-
F	500	50,000	-

It is further reported that departments A, B and C are production departments which are serviced by the departments D, E, F in the following proportions.

Production Departments	D	E	F
A	30%	50%	40%
B	50%	30%	30%
C	20%	20%	20%

Required:

Prepare an overhead analysis sheet for the year. (12mks)

QUESTION THREE

- Describe the difference between marginal costing and absorption costing. (4mks)
- A textile company produced 100,000 metres of clothe in the month of July 2003. During this month only 90,000 metres were sold. There was no opening and closing stock of work in progress.

Production costs were as follows:

Materials	sh. 30,000,000
Labour	sh. 10,000,000
Production overheads	sh. 12,000,000

Out of the production cost, 40% was variable overheads. The average selling price for each metre of clothe was Sh 400. Selling and distribution expenses for the month amounted Sh. 5,000,000 of which sh. 2,200,000 were fixed.

Required:

- a) Profit and loss account on marginal costing basis (5mks)
- b) Break even level of output in units and revenue. (2mks)
- c) What will be the volume of production if the company wants to make a contribution of sh. 6,000,000? (4mks)

QUESTION FOUR

- a) Explain what you understand by the cost volume profit analysis. (3mks)
- b) From the following information you are required to draw the break-even chart to scale and indicate the margin of safety, break-even point point and angle of incidence.

The information is:

Selling price sh. 100 per unit
 Variable cost sh. 50 per unit
 Fixed costs sh. 600,000.
 Actual output is 20,000 units.

(12mks)

QUESTION FIVE

Define job costing and explain the main features of contract costing (any six)

(15mks)

QUESTION SIX

A budget is plan of action expressed in quantitative terms: Discuss this statement giving the advantages and disadvantages of budgeting. (15mks)

QUESTION SEVEN

Define standard costing and briefly explain any four types of standards. (15mks)

QUESTION EIGHT

The process by which total difference between standard and actual cost is sub-divided into various parts in variance analysis. Discuss this statement explaining briefly the purpose of variance analysis. (15mks)