CHUKA   **UNIVERSITY**

UNIVERSITY EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF AGRIBUSINESS MANAGEMENT

AGBM 412: MANAGERIAL ACCOUNTING II

STREAMS: AGBM   **TIME: 2 HOURS**

DAY/DATE: TUESDAY 12/07/2016   **8.30 AM – 10.30 AM**

INSTRUCTIONS:

Answer Question One and any other Two

1.   (a)   Explain the purpose of management accounting.   [4 marks]

      (b)   Discuss the various classifications of costs as used in management accounting.
                                                                         [6 marks]

      (c)   A hospital's records show that the cost of carrying out health checks in the last
             five accounting period have been as follows:

Period	No. of patients seen	Total cost
1	650	17125
2	940	17800
3	1260	18650
4	990	17980
5	1150	18360

      Required:

      (i)   Determine the cost function using higher-low method.   [5 marks]

      (ii)   Determine the cost function using linear regression analysis.
                                                                         [7 marks]

      (iii) Estimated the cost of carrying out health checks of 850 patients hence
             explain the most reliable figure.   [3 marks]

(d)   An engineering firm operates a job costing system production overhead is absorbed at the rate of ksh. 8.50 per machine hour. In order to allow for non-production overhead costs and profit, a markup of 60% of prime cost is added to production cost when preparing price estimates. The estimated requirements of job number 808 are as follows:

Direct materials   ksh.10650
Direct labour   ksh.3260
Machine hours   140

Required:

Show the job costing account and the price given to the customer.   [5 marks]

2.   (a)   R makes one product, which passes through a single process. Details of process account for period 1 were as follows

Material cost – 20000 kg   26000
Labour cost   12000
Production overhead cost   5700
Output   18800 kg
Normal losses   5% of input

Process losses have no value and there were no opening and closing work in progress.

Required:

A process account   [5 marks]

(b)   Nathan Company produces three products (A, B and C) in a single joint process. All the products are saleable immediately upon split off. Alternatively, any of the products could be further processed and sold at a higher price cost and price information is as follows:-

Product	Price cost split off	Additional processing cost	Price offer processing	Volume
A	10	10 000	12	10 000
B	15	25 000	18	5 000
C	20	50 000	30	8 000

Which decision would maximize profits on the three products? (Show all your workings).   [15 marks]

3.   (a)   Explain the costs applicable in inventory management.   [4 marks]

(b) A company makes agricultural factors it produces 450 a month, it buys the tyres for the tractor from a supplier at ksh. 20,000 per tyre. (A tractor has four tyres) The company inventory carrying cost is estimated to be 15% of cost and the ordering is ksh. 50 per order

    (i)   Calculate the EOQ   [4 marks]

    (ii)   The number of orders per order   [1 mark]

    (iii)   Compute average annual ordering cost   [2 marks]

    (iv)   Compute average annual carrying cost.   [2 marks]

    (v)   Compute total stock costs.   [1 mark]

    (vi)   If the company orders the item once a quarter, compute order quantity.   [5 marks]

    (vii)   State three assumptions of EOQ model.   [3 marks]

4. (a) Brenda and Eddie are analyzing the main ingredients to their basic pasta sauce. The standard ingredient for one batch of tomato sauce are:

Onions	5kg@ 2/= /kg	10
Tomatoes	5kg@ 4/= /kg	20
		30
		==

Over the last month, 100 batches of sauce were prepared, using the following ingredients:

Onions	600 kg
Tomatoes	900 kg

Required:

    (i)   Calculate the material mix and yield variance.   [8 marks]

    (ii)   Comment on enter meaning   [2 marks]

(b) A firm is considering a final "Go" decision on a new product. If the product is introduced and it is successful the profit is ksh. 500 000 and if it is unsuccessful the loss of ksh 300,000. There is no profit or loss if the product is not introduced. The management believes that there is a 0.2 probability that the product will be successful.

Required:

Based on the above information and under variety of the many criteria, help them make a decision. [10 marks]