

**MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**FOURTH YEAR FIRST SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: ARE 250**

**COURSE TITLE : INTRODUCTION TO MANAGERIAL ACCOUNTING**

**DATE: 5th May 2016 Time: 8.30am – 10.30am**

**INSTRUCTIONS**

Answer **questions** in **ONE** and other  **THREE** questions.

***This paper consists of five printed pages. Please turn over.***

**QUESTION ONE 25 MARKS COMPULSORY**

The information given below relate to estimates for the year2013 for Hilton Restaurant Ltd:

Month Food Drink Food Drink Labor Overheads

 Sales Sales Purchases Costs

 £ £ £ £ £ £

February 15000 4500 6000 2200 6000 5200

March 15500 4800 6100 2400 6200 5200

April 17000 5400 6800 2700 6500 5400

May 17800 6300 7000 3200 6900 5600

June 23000 6900 7300 3400 7500 5800

July 25000 8100 8300 4100 7400 5700

August 22000 7100 7300 3600 6700 5300

September 20400 6500 7100 3200 6100 5100

Additional Notes:

1. Assume that all sales are cash sales
2. The annual interest on the company’s investment £800, will be received in July.
3. The time lag in payment in supply is two months; in the payment of overheads the time lag is one month; in the case of the labor cost it is nil.
4. New kitchen planting, costing £5000 will be purchased in may and paid for the following months;
5. The bank balance of the company on 1st April, 2013 was £15000

Required;

Prepare a cash budget for the six months commencing 1st April, 2013

 **(25 marks)**

**QUESTION TWO**

Jamline Ltd, which manufactures and sells a single product, is currently producing and selling 102,000 units per month, which represents 85% of its full capacity. Total monthly costs are £619,000 but at full capacity these would be £700,000. Total fixed costs would remain unchanged at all activity levels up to full capacity. The normal selling price of the product results in a contribution to sales ratio of 40%.

A new customer has offered to take a monthly delivery of 15,000 units at a price per unit 20% below the normal selling price. If this new business is accepted, existing sales are expected to fall by one unit for every six units sold to this new customer.

**Required:**

(a) For the current production and sales level, calculate:

(i) The variable cost per unit; **(3mks)**

(ii) The total monthly fixed costs; **(3mks)**

(iii) The selling price per unit; **(3mks)**

(iv) The contribution per unit.  **(3mks)**

(b) Calculate the net increase or decrease in monthly profit which would result from acceptance of the new business. **(3mks)**

**QUESTION THREE**

Given: Total budgeted overheads = Shs.240,000

Production budget is as follows:

Product A B

Units 20,000 10,000

Labour hours 20,000 20,000

Labour cost Shs.17,500 Shs.22,500

Machine hours 45,000 15,000

Material cost Shs.15,000 Shs.25,000

**Required**

Compute the overhead absorption rate per unit of A and B using the following methods:

1. Percentage on material cost **(3mks)**
2. Percentage on labour cost **(3mks)**
3. Percentage on prime cost **(3mks)**
4. Labour hour rate **(3mks)**
5. Machine hour rate **(3mks)**

**QUESTION FOUR**

Sands Ltd furnishes you the following information relating to the half year ended June 2015:

Fixes expenses Ksh. 45,000

Sales value 150,000

Profit 30,000

During the second half of the year, the company has projected a loss of Ksh. 10,000

Calculate:

1. The Break-Even Point and Margin of Safety for six months ending 30th June, 2015**. (5 mks)**
2. Expected sales volume for second half of the year assuming that the P/V ratio and fixed expenses remain constant in the second half year also. **(5 mks)**
3. The Break-Even Point and Margin of Safety for the whole year 2015.

 **(5 mks)**

**QUESTION FIVE**

1. Explain in details the difference between the following terms giving relevant examples in each case.
2. Product cost and period cost **(2mks)**
3. Sunk cost and relevant cost **(2mks)**
4. Fixed and variable cost **(2mks)**
5. Direct and indirect costs **(2mks)**
6. prime cost and Conversion cost **(2mks)**

(b) List the role of a budget committee **(5mks)**

**THE END**