UNIVERSITY OF EMBU

2017/2018 ACADEMIC YEAR

SECOND SEMESTER EXAMINATIONS

FIRST YEAR TRIMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF PROCUREMENT AND SUPPLIES MANAGEMENT

BPS 112: MANAGERIAL ACCOUNTING

DATE: APRIL 5, 2018 **TIME : 2:00 PM – 4:00 PM**

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

a) Critically examine the argument that goal-oriented managers will require a good background of management accounting. (5 marks)

b) Managerial accounting is described as the provision of information required by management for specific purposes. State and explain six of these purposes. (6 marks)

c) Briefly discuss the qualities of a good organization budget. (5 marks)

d) Discuss any three bases of cost classification (6 marks)

e) Explain the causes of variances in a manufacturing firm. (5 marks)

f) Explain the meaning and application of marginal costing (3 marks)

QUESTION TWO (20 MARKS)

a) With examples explain what breakeven point is and its importance. (6 marks)

b) XYZ is a manufacturing firm which produces electric Kettles. During the year ended 31 December 2013, each Kettle produced was sold at the price of Kshs.3,000 and a total of 500 Kettles were produced and sold .

The variable costs of manufacturing a unit of the kettle during the year ending 31 December 2013 was as follows.

	Sh.
Direct materials	1000
Direct labour	500
Other direct costs	250
Variable overheads	250
Total variable cost	2,000

The fixed costs for XYZ Company during the year was KSh. 200,000

Required: calculate

a) Break-even point in units and in sales (kshs) (4 marks)

b) Contribution margin ratio and interpret it (4 marks)

c) Margin of safety and interpret it (4 marks)

d) Sales required to earn profit of Sh.2,000,000 (2 marks)

QUESTION THREE (20 MARKS)

a) Using relevant examples differentiate between marginal costing and absorption costing. (6 marks)

b) Limuru Manufactures ltd produce tubes for motor cycle. The following information relates to the year ended 31st December 2014.

Production	20,000 tubes
Sales	15,000 tubes
Production costs in	**kshs**
Direct materials	2,400,000
Direct labour	600,000
Variable overheads	500,000
Fixed overheads	900,000

Selling and distribution costs	**kshs**
Sales commission	250,000
General expenses	160,000
Other fixed costs (overheads) 240,000	

The company sells each tube at kshs 300.

Required: a) profit and loss account on the basis of absorption costing (7 marks)

b) Profit and loss account on the basis of marginal costing (7 marks)

QUESTION FOUR (20 MARKS)

a) Define process costing and explain the main elements of process costs (6 marks)

b) XYZ limited produces a single product. The standard costs card is a follows:

Direct material A 2kg @kshs 20 each

Direct material B 1kg @kshs 60 each

Direct labour 3 hours @kshs 60 per hour

Variable overhead 3 hours @kshs 40 per hour

The company budgeted to produce 10,000 units of product "P" for the month of September 2016. The actual costs incurred were as follows:

Direct material A : 19,000 kg @kshs 21 per kg

B: 10,000 kg @kshs 58 per kg

Direct labour: 28,500 hours @kshs 62 per hour

Variable overheads is kshs 520,000

Required: compute

i) Material price variance (3 marks)

ii) Material usage variance (3 marks)

iii) Total material cost variance (1 mark)

iv) Labour rate variance (3 marks)

v) Labour efficiency variance (3 marks)

vi) Total labour cost variance (1 marks)

QUESTION FIVE (20 MARKS)

a) Differentiate between zero based budgeting and Incremental budgeting 6 marks

b) Explain Activity based costing and its application in a firm of your choice. 6 marks

c) Kijata ltd has approached you for advice on how much to borrow or invest in the months of april , may and june 2015. You have been provided with the following information.

			Cash Disbursements		
Month	Credit Sales (shs.)	Credit purchases (shs)	wages taxes and expenses	Interest	Equipment purchase
april	370,000	143000	48750	12500	78000
may	386,000	172400	56500	12500	89000
june	413,000	198500	67300	12500	0.00

d) Additional information:

e) The company predicts 5% of sales will never be collected. 35% of its credit sales are collected in the month of sale while 60% will be collected in the month following purchase. In march 2015 credit sales were Kshs 205,000 and credit purchases were kshs 149,000. The beginning cash balance in april was kshs 240,000.

Required:

i) Prepare a monthly cash budget for April, May and June. (8 marks)

--END--