

**W1-2-60-1-6**

## JOMO KENYATTA UNIVERSITY

**OF**

**AGRICULTURE AND TECHNOLOGY**

# University Examinations 2018/2019

**SECOND YEAR SECOND SEMESTER EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION**

**HCB 0202 : MANAGEMENT ACCOUNTING AND CONTROL**

**DATE: APRIL 2019 TIME: 1½ HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER**

**TWO QUESTIONS.**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**QUESTION ONE (30 MARKS)**

(a) Write brief explanatory notes on the following: [10 marks]

(i) Period costs.

(ii) Differential cost.

(iii) Controllable costs.

(iv) Avoidable costs.

(v) Manufacturing cost.

(b) Distinguish between the following two accounting systems used to record transactions involving inventory: perpetual inventory system and periodic inventory system. [4 marks]

(c) The breakdown of cost per unit at an activity level of 10,000 units of Zenith Razors

is as follows:

|  |  |
| --- | --- |
|  | **Shs.** |
| Raw material | 10 |
| Direct expenses | 8 |
| Chargeable expenses | 2 |
| Variable overheads | 4 |
| Fixed overheads | \_\_6 |
| Total cost per unit | 30 |
| Selling price | 32 |
| Profit per unit | \_\_2 |

How many unit must be sold to break-even? [8 marks]

(d) Distinguish between joint products and by-products. [4 marks]

(e) What do you understand by Cost-Volume-Profit (CV-P) Analysis? [4 marks]

**QUESTION TWO (15 MARKS)**

(a) Define service costing and give two examples of organizations which use service costing method. [4 marks]

(b) A process produces three products namely, X, Y and Z. Total joint costs for the month of April were Shs. 960,000. The output and selling prices of these products were as under:

|  |  |  |
| --- | --- | --- |
| **Product** | **Units produced** | **Selling price per unit** |
| X | 2000 | 260 |
| Y | 1600 | 300 |
| Z | 1200 | 500 |

**Required:**

Apportion the joint costs and calculate the profit of each product by using: the physical units basis. [11 marks]

**QUESTION THREE (15 MARKS)**

(a) Orion Cables provided the following information for the month of December 2016:

|  |  |
| --- | --- |
|  | **Shs.** |
| Raw material | 80,000 |
| Direct labour | 35,000 |
| Factory rent | 5,000 |
| Power | 3,000 |
| Indirect wages | 2,000 |
| Administration expenses | 4,000 |
| Selling and distribution | 3,000 |
| Expenses |  |
| Profit | 25% of cost |

**Required:**

Prepare a cost statement for the month of December 2016. [11 marks]

(b) Distinguish between a cost centre and a profit centre. [4 marks]

**QUESTION FOUR (15 MARKS)**

(a) Distinguish between marginal costing and absorption costing. [4 marks]

(b) A company produces three products for which the following data has been provided:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Product** | | | |
|  | **X** | **Y** | **Z** | **Total** |
|  | **(Shs)** | **(Shs)** | **(Shs)** | **(Shs)** |
| Sales | 250,000 | 180,000 | 150,000 | 580,000 |
| Total costs | 200,000 | 200,000 | 120,000 | 520,000 |
| Profit (loss) | 50,000 | (20,000) | 30,000 | 60,000 |

Total costs comprise 75% variable and 25% fixed. The Directors of the company consider that product Y shows a loss, so it should be discontinued.

You are required to advise the management whether to drop product Y or not.

[11 marks]