UNIVERSITY OF EMBU

2021/2022 ACADEMIC YEAR

FIRST SEMESTER EXAMINATIONS

FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN FINANCE, BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT, BACHELOR OF COMMERCE

BAC 205/AEB 403: PRINCIPLES OF MANAGEMENT ACCOUNTING

DATE: NOVEMBER 30, 2021 **TIME:** 11:00 AM – 1:00 PM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

a) Discuss the factors that affect cost management (10 marks)

b) Explain any four assumptions of cost-volume-profit analysis (8 marks)

c) A company has provided you with the following details of a commodity it produces and sell

Variable overheads per unit	sh. 250
The fixed overheads	sh. 500,000
Selling price per unit	sh. 650.

Required:

i) Determine the break even units and amounts (4 marks)

ii) Find the margin of safety for sh. 1,025,000 sales (2 marks)

iii) Number of units for a target profit of sh. 250,000 (4 marks)

QUESTION TWO (20 MARKS)

Bee limited specializes in production of a commodity that can only be completed after undergoing three processes. The information about cost of production and units output in the three processes is provided below:

	Total Cost	Process I	Process II	Process III
Direct materials	333,280	100,480	169,920	62,880
Direct labour	176,320	40,400	59,360	76,560
Production overheads	176,320	-	-	-
Direct expenses	187,720	187,720	-	-

Additional information:

1. The company introduced 500 units to process I at a cost sh. 480 per unit
2. The company expects normal loss for Process I, II and III at the rate of 10%, 10% and 5% respectively.
3. The normal losses can be scrapped at a value of sh. 160 for process I loss, sh. 320 for process II loss and sh. 400 for process III loss.
4. The actual output for three processes are as follow;

Process I	Process II	Process III
440 units	400 units	382 units

5. Production overheads are allocated to processes on the basis of 100% of the labour cost
6. A product must pass through all the three processes before being transferred to finished goods.

Required:

a) Process accounts for Process I, II and III (12 marks)
b) Finished goods account (2 marks)
c) abnormal loss account (3 marks)
d) Abnormal gain account (3 marks)

QUESTION THREE (20 MARKS)

a) Explain four classifications of cost (8 marks)
b) Pure limited plans to manufacture product "ZEE". The details from production and sales department projected that;
   i) A single unit of ZEE requires two types of materials A and B which are to be used as follows;

Material	Number in kilo	Cost Per kilo
A	5	20
B	3	10

ii) Production labour is provided below:

Department	Hours per unit	Labour hourly rate
Production	4	100
Finishing	2	140

iii) The budgeted overheads for the month amounted to sh. 1,920,000 and are to be absorbed based on labour hours.

iv) The budgeted sales amount to 10,000 units at sh. 2,100 per unit

v) The opening stocks are as follows;

- Material A: 16,000 units valued at sh. 20 per unit
- Material B: 9,600 units valued at sh. 10 per unit
- Finished goods: 4,000 units valued at sh. 1,100 per unit

Required:

a) Production budget (3 marks)

b) Material usage budget (2 marks)

c) Material purchase budget (2 marks)

d) Direct labour budget (3 marks)

e) Sales budget (2 marks)

QUESTION FOUR (20 MARKS)

A production manager undertook research to determine the projection model that he could use to predict the labour cost. In the twelve week analysis the data below was compiled:

Week	Machine hours	Labour cost
1	68	1,190
2	88	1,211
3	62	1,004
4	72	917
5	60	770
6	96	1,456
7	78	1,180
8	46	710
9	82	1,316

10	94	1,032
11	68	752
12	48	963

Required:

Use regression analysis method:

a) Formulate cost function (12 marks)

b) Estimate the labour cost associated with 125 machine hours (4 marks)

c) Estimate the machine hours associated with sh. 1,520 labour cost (4 marks)

QUESTION FIVE (20 MARKS)

a) A company applies standard costing system in its operation. The data provided relates to production in the month of December 2020.

- Actual hours worked 8,250
- Actual fixed overhead expenditure sh. 211,000
- Budgeted hour 9,000
- Standard hours for actual production 7,800
- Standard fixed overhead rate sh. 25

Required:

i) Fixed overhead volume variance (2 marks)

ii) Fixed overhead expenditure variance (2 marks)

b) A company specializes in production of two commodities A and B. The budgeted sales for year 2021 are as follows:

Product	Expected sales	Selling price	Variable cost per unit
A	6,000	950	190
B	4,000	850	250

The fixed costs for the year are expected to be sh. 1,986,000

Required:

a) The break even in units and revenue (8 marks)

b) Number of units for each product that can be sold to earn a profit of sh. 1,324,000 (8 marks)

--END--