JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION FOR DIPLOMA IN BUSINESS ADMINISTRATION

2ND YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR

MAIN CAMPUS

COURSE TITLE: MANAGERIAL ACCOUNTING AND CONTROL.

COURSE CODE: BBM 2215
VENUE:
DATE:
TIME:

Instructions

1. Answer question 1 (compulsory) and ANY other 2 questions.
2. Show **ALL** your workings.
3. Candidates are advised not to write on the question paper.
4. Candidates must hand in their answer booklets to the invigilator while in the examination room.
5. Marks allocated to each question are shown at the end of each question.

QUESTION ONE

a) Explain Five differences between management accounting and financial accounting. (10 mks).

b) Distinguish between the following terms.

   i) Product costs and period costs. (2 mks)

   ii) Relevant and irrelevant costs. (2 mks)

   iii) Cost object and cost center (2 mks)

c) A company purchased raw materials a few years ago for shs 300,000 and there appears to be no possibility of selling them or using them in the production. A customer is prepared to purchase a product that will use all these materials but is not prepared to pay more than sh. 600,000.

   The additional cost of converting these materials into the required product is sh. 400,000. should the company accept the order for sh. 600,000?. (6 mks).

d) Z LTD. Has three production departments (P, Q, and R) and two service departments (X and Y). the total overheads for the departments are given below.

Department.	Overheads.
	Shs.
P	35,000
Q	64,000
R	19,000
X	22,000
Y	38,000

The reallocation percentages of the service departments' costs are given below:

Department	P	Q	R	X	Y
X	20%	25%	25%		10%
Y	25%	30%	30%	15%	

Required.

Use the simultenous equation method to allocate the service department overheads to production departments. (8 mks)

QUESTION TWO.

Jomit plc has budgeted for the following overhead costs for Period 6.

	£
Material receipt costs	31,200
Power costs	39,000
Material handling costs	27,300

The company produces 3 products, P, Q and R for which the following budgeted information is available for Period 6.

Product	P	Q	R
Output (units)	4,000	3,000	1,600
Material batches	20	10	32
Per Unit			
Direct material (kg)	4	6	3
Direct material (£)	6	5	9
Direct labour (hours)	0.2	0.5	1.0
Number of power operations	6	3	2
Direct labour rate per hour	£8	£8	£8

Currently the overhead costs are each absorbed using a rate per direct labour hour.

However, the company is considering applying overheads using an ABC approach and has identified drivers for the activities as follows:

Material receipt costs	number of batches of material
Power costs	number of power operations
Material handling costs	kg of material handled

REQUIRED:

(a) Calculate the total cost per unit for each product using the current overhead absorption method. (10 mks)

(b) Calculate the total cost per unit for each product using the ABC method. (10 mks)

Question three.

a) State five conditions for successful budgeting (5 mks)
b) The opening cash balance on 1st January was expected to be shs. 60,000. The sales budgeted were as follows

Month	Shs.
November	160,000
December	180,000
January	150,000
February	150,000
March	160,000

Analysis of records shows that debtors settle according to the following pattern:
60% within the month of sale.
25% the month following
15% the month following

Extracts from the purchase budget were as follows

Month	Shs.
December	120,000
January	110,000
February	90,000
March	110,000

All purchases that are on credit and past experience shows that 90% are settled in the month of purchase and the balance settled in the month after.

Wages are shs. 30,000 per month and overheads of shs. 40,000 per month (including shs. 10,000 depreciation) are settled monthly.

Taxation of shs 16,000 has to be settled in February and the company will receive settlement of an insurance claim of shs. 50,000 in March.

Required: Prepare a cash budget for January, February and March. (15 mks)

QUESTION FOUR.

a) List Five assumptions of CVP analysis. (5 mks)
b) Distinguish between "cost centre", "profit centre" and "investment centre". (6 mks).
c) Explain the meaning of each of the following terms:
i) Variable costs (2 mks)
ii) Fixed costs (2 mks)
iii) Semi – fixed costs (2 mks)
d) Identify three users of accounting information (3 mks)

QUESTION FIVE.

The following information is available in respect of overhead costs by Keringeti Ltd.

	Production cost centres			Service cost centres		
	Milling	Assembly	Spraying	Stores	Maintenance	Totals
Number of employees	30	75	25	6	14	150
Labor hours	1510	3320	950	252	595	6627
Plant and machine values	225000	75000	45000	17000	85000	447000
Area (M^2)	7500	10000	3500	500	1000	22500
Material requisitions	1400	300	250	-	550	2500
Maintenance hours(minor work)	75	30	45	-	-	150
KWH "000"	300	70	50	10	170	600
Machine hours	8400	1100	300			9800
Allocated Overheads	£	£	£	£	£	£
Indirect materials	2500	1000	1500	300	1700	7000

Indirect labor	5250	2500	2250	4250	11750	26000
Major maintenance work	18500	7500	4500			30500

The following details were obtained from the accounts relating to the period.

Cost	£
Fire and machine insurance	1250
Power	4500
Heating and lighting	2000
Rates	1800
Machine depreciation	8400
Canteen deficit	4250
Balance of maintenance cost (excluding major works)	17500

REQUIRED:

Prepare an overhead analysis sheet (including both primary and secondary apportionment).

(20 mks)

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COURSE OUTLINE.
DIPLOMA IN BUSINESS ADMINISTRATION (DBA).
COURSE UNIT: BBM 2215 - MANAGERIAL ACCOUNTING & CONTROL

Duration: JAN– APRIL 2017.

Contact: 0716888574 E-mail: jaredoganda@gmail.com.

COURSE INSTRUCTOR: JARED OGANDA.

Course Objective.

This course is intended to equip the students with knowledge, skills and attitudes that will enable him/her to apply management accounting principles and concepts in business.

COURSE CONTENT.

Managerial accounting and Financial Accounting distinguished; basic cost statements and the characteristics of consumer behavior; nature of costs; overhead costs, fixed, variable, semi-fixed and semi-variable costs; cost-volume profit analysis; methods of apportionment of joint costs, overhead costs, overhead pricing; calculation of overhead recovery costs; marginal and absorption costing; budgeting and budgetary control systems; standard costing and variance analysis.

1.Nature and purpose of management and cost accounting.

- Meaning of management accounting and its applications.
- Purpose of management accounting information.
- Managerial and financial accounting distinguished.
- Cost terms and concepts.

2.Cost classification.

- Basis of cost classification.
- Cost objectives.
- Manufacturing, non manufacturing, direct and indirect costs.
- Controllable and non controllable costs.
- Product vs period costs.

3.Accounting for overheads.

- Types of overheads : manufacturing, distribution & administration.
- service departmental cost allocation & apportionment, overheads analysis, overhead absorption rates, over or under arbsorption.
- Activity Based Costing (ABC)

4.Marginal and absorption costing.

- Distinction between marginal and absorption costing.
- Valuation of products under marginal and absorption costing.
- Preparation of marginal and absorption statements: cost of production and profit determination.
- Application of marginal costing: Break- even / CVP analysis.
    - Simple C.V.P/ Break even analysis.
    - Assumptions of C.V.P analysis.
    - Margin of safety
    - CVP and price changes.
- Decision problems : accept or reject, special order, dropping a product, make or buy.

CAT 1

5.Budgeting & Budgetary control.

- Meaning & purpose of budgets.
- Preparation of budgets: master budgets, functional (department budgets, cash budgets). Proforma financial reports(income statements & balance sheets).

- Purpose of budgetary control.

6.Standard costing & variance analysis.

- Types of standards
- Principles of setting standards.
- Standard cost card.
- Materials, labor and overheads variances, price and efficiency variances.

7. Emerging trends and issues.

CAT 2

References.

Key text.

1. N.A Saleemi: Cost accounting simplified.

Others.

2. Charles T. Horngren :Cost Accounting: A Managerial Emphasis, 14th Ed.
3. Terry Lucey: Management Accounting, 5th Ed.
4. Colin Drury,Management & Cost Accounting. 7th ed.
5. Ashiq Hussain: Cost Accounting Made Easy

Your course grade will be determined as follows:

Cat 1	15%
Cat 2	15%
Final exam	70%
Total	**100%**