JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION

SECOND YEAR, FIRST SEMESTER 2019/2020 ACADEMIC YEAR

MAIN CAMPUS

COURSE CODE: BBM2215

COURSE TITLE: MANAGERIAL ACCOUNTING AND CONTROL

DATE:24/11/20 **EXAM SESSION: 9-12 NOON**

TIME: 2 HOURS

Instructions

1. **Answer Question One (compulsory) and any other 2 questions**
2. **Show all your the calculations**
3. **2. Candidates are advised to write on the text editor provided, or to write on a foolscap, scan and upload alongside the question**
4. **3. Candidates must ensure they submit their work by clicking "finish and submit attempt" button at the end.**

QUESTION ONE

a) Distinguish between the following types of costs as used in management accounting
   I. Avoidable costs and unavoidable costs (4marks)

   II. Product costs and conversion costs (4 marks)

b) A cost accounting system should be prepared based upon the requirements and particular needs of a business .With reference to the above statement describe four features of an ideal cost accounting system (8marks)
c) Examine four types of costs under functional classification (8 marks)
d) Distinguish between management accounting and financial accounting (6marks)

QUESTION TWO

Mjengo Ltd. Is a medium sized company which operates three production departments and two service departments. The three production departments are: Machinery department D, machinery department E and Assembly department. The two service departments are materials procurement and general support department.
The annual overhead costs are as follows:

	Sh		sh
Indirect wages and salaries			
Machinery department: D	2,500,000		
E	2,500,000		
Assembly	3,750,000		
Materials procurement	2,750,000		
General support	3,700,000		15,200,000
Indirect materials			
Machinery department: D	1,250,000		
E	2,012,500		
Assembly	262,500		
Materials procurement	0		
General support	25,000	3,550,000	
Others:			
Electricity	1,250,000		
Taxes	2,500,000		
Insurance of machinery	375,000		
Depreciation of machinery	3,750,000		
Insurance of buildings	625,000		
Salaries of the workers	2,000,000		10,500,000
		2, 9250,000	

1. The following are additional information is available from books of Mjengo Ltd.

	Book value Machinery	Area occupied sq metres	No of employees	Direct labour hours	Machine hours
Machinery					
Dept D	20,000,000	25,000	750	2,500,000	5,000,000
Dept E	12,500,000	12,500	500	2,500,000	2,500,000
Assembly	2,500,000	37,500	750	5,000,000	
Stores	1,250,000	37,500	250		
Maintenance	1,250,000	12,500	250		
	37,500,000	125,000	2500		

The total direct and indirect materials issued to the production department are as follows:

Machinery	D	10,000,000
	E	7,500,000
Assembly		2,500,000
		20,000,000

Required:

(a) Overheads analysis sheet. (10 marks)

(b) Reallocation of service department costs (6marks)

(c) Overhead rates for each production department (4 marks)

QUESTION THREE

PQR limited is a manufacturer of sports shoes. The company uses a standard system. The standard cost per pair of spots shoes is as follows:

	Sh.
Direct materials	500
Direct labour: 4 hours × sh. 60 / hour	240
Production overheads	
Variable 4 hours × sh. 30 / hour	120
Fixed	100
Standard production cost	960
Standard selling price	1,500

Additional information

1. During the month of March 2020, production was 10,000 units as planned but the sales made were 8,000 units
2. The total fixed production overhead variance during the month was sh. 100,000 adverse
3. The standard fixed production overhead absorption rate was based on a budgeted activity of10, 000 Units
4. There was no opening stock at the beginning of the month
5. All units were sold at the standard selling price
6. Other costs incurred during the month were as follows:

	Variable	fixed
		Sh
Selling and distribution	20% of sales	600,000
Administration		1,000,000

Required:

Income statement for the month of March 2020 using Absorption costing (10 marks)

(b) Explain three differences between marginal costing and absorption costing (6 marks)

c) State four assumptions of cost volume profit analysis within any organization (4marks)

QUESTION FOUR

State three types of standards applied in standard costing by a management accountant (3 marks)

Explain four functional budgets that could be prepared by an organization (8 marks)

The following details were obtained from the books of turbo Ltd, a manufacturing company

	sh
Variable cost per unit	300
Fixed expenses	1000,000
Selling price per unit	500

Required

i) Break even in units (3marks)

ii) Selling price per unit if break-even point is brought down to 4000 units (3marks)

iii) If the present sales is Sh 4million, compute the margin of safety (3 marks)

QUESTION FIVE

a) In context of cost estimation ,explain the following methods
   i) High-low method (2marks)
   ii) Account analysis (2 marks)
   iii) Engineering method (2marks)

b) Though management accounting is a helpful tool to the management as it provides information for Planning, controlling and decision making, however, its effectiveness is limited by a number of reasons In light of the above statement, discuss five limitations of Management accounting **(**10 marks.)

c) Distinguish between job order costing and process costing as used in costing methods (4marks)