



**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**
- 2. Candidates are advised to write on the text editor provided, or to write on a foolscap, scan and upload alongside the question**
- 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
<b>Indirect wages and salaries</b>		
Machinery department: D	2,500,000	
E	2,500,000	
Assembly	3,750,000	
Materials procurement	2,750,000	
General support	<u>3,700,000</u>	<u>15,200,000</u>
<b>Indirect materials</b>		
Machinery department: D	1,250,000	
E	2,012,500	
Assembly	262,500	
Materials procurement	0	
General support	<u>25,000</u>	<u>3,550,000</u>
<b>Others:</b>		
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	<u>2,000,000</u>	<u>10,500,000</u>
		<b><u>2,9250,000</u></b>

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

	Book value	Area occupied	No of employees	Direct labour hours	Machine hours
Machinery		sq metres			
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	<u>1,250,000</u>	<u>12,500</u>	<u>250</u>		
	<u>37,500,000</u>	<u>125,000</u>	<u>2500</u>		

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

Machinery D	10,000,000
E	7,500,000
Assembly	<u>2,500,000</u>
	<u>20,000,000</u>

**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:

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

**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 of 10,000 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)