



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DIPLOMA IN BUSINESS
ADMINISTRATION
2ND YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR
MAIN CAMPUS

COURSE CODE: BBM 2215

COURSE TITLE: MANAGERIAL ACCOUNTING AND CONTROL

EXAM VENUE:

DATE:

DURATION: 2 HOURS.

INSTRUCTIONS

- 1. Answer QUESTION ONE and any other TWO questions**
- 2. Show ALL your workings.**
- 3. Candidates are advised not to write on the question paper**

QUESTION ONE

- a) Define management accounting (2 mks)
- b) State and briefly explain FIVE differences between management accounting and financial accounting (10 mks)
- c) Explain the behavioural classification of costs. (10 mks)
- d) State FOUR benefits of budgeting (4 mks).
- e) Distinguish between top down and bottom up budgeting (4 mks).

QUESTION TWO.

- i) The monthly past recordings for output and maintenance costs for the past 10 months have been examined and the following information is available for the lowest and highest output levels.

	Volume of production (units)	Maintenance costs (shs.)
Lowest activity	5,000	22,000
Highest activity	10,000	32,000

Required: Determine the cost function for this firm using the High – Low method (5 mks).

- ii) N Ltd has three production departments (A, B and C) and two service departments (X and Y). The total overheads for the departments are given below.

Department	A	B	C	X	Y
Overheads	35,000	64,000	19,000	22,000	38,000

(£)

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

Department	A	B	C	X	Y
X	20%	25%	25%		10%
Y	25%	30%	30%	15%	

Required: Use the simultaneous equation method to allocate the service department overheads to the production departments (10 mks).

- iii) State any FIVE assumptions of the Cost Volume Profit (C.V.P.) model (5 mks)

QUESTION THREE

The summary profit and loss statement for ABC Ltd for the year ended 31st December 2016 is as follows.

Particulars	KSHS	KSHS
Sales revenue		500,000
Variable cost:		
Direct material	100,000	
Direct labor	80,000	
Overheads	120,000	

Total variable costs	(300,000)
Contribution	200,000
Fixed costs	(125,000)
Net profit	75,000

In the year to 31st December 2017, the following changes are estimated.

- i) Selling prices will be reduced by 2% in order to stimulate demand.
- ii) Direct material prices will rise by 4% due to shortage of the materials.
- iii) Improved direct labor efficiency will lead to a fall in labor costs by 5%.
- iv) Variable overheads will increase by 3% because of increased prices.
- v) Fixed overheads will increase by 15,000 because of increased depreciation of new machinery.

Required:

a) Calculate the sales revenue at which:

- i) Break-even point will be attained. (8 mks)
- ii) Net profit of sh. 100,000 will be earned. (2 mks)

b) Prepare a summary operating statement which shows ;

- i) The break even position. (5 mks)
- ii) The conditions to give a net profit of kshs. 100,000 in the year ended 31st December 2017. (5 mks)

QUESTION FOUR

a) The following data is available for production department X.

- i. Opening stock for period 1 is 100 units.
- ii. Production is constant at 1200 units per period.
- iii. Sales quantities are as follows: Period 1 = 1,000 units, Period 2 = 1,200 units; Period 3 = 1,300 units.
- iv. Selling price is ksh. 2,000 per unit and variable cost is sh. 800 per unit.
- v. Fixed production overhead is h. 480,000 per period.

Required: Prepare summary statements for periods 1, 2 and 3 using;

- i) Marginal costing. (10 mks)
- ii) Absorption costing (10 mks)

QUESTION FIVE

The following information related to the proposed budget for K.K Ltd for the months ending 31 December 2017.

Month	Sales. Sh."000"	Material purchases sh. "000"	Wages sh."000"	Production overheads sh. "000"	Administration overheads sh. "000"
July	72,000	250,000	10,000	6,000	55,000
August	97,000	31,000	12,100	6,300	6,700
September	86,000	25,500	10,600	6,000	7,500
October	88,600	30,600	25,000	6,500	8,900
November	102,500	37,000	22,000	8,000	11,000
december	108,700	38,800	23,000	18,200	11,500

Additional Information

1. Depreciation expenses are expected to be 0.5% of sales.
2. Expected cash balance in hand on 1 July 2017 is Sh. 72,500,000
3. 50% of total sales are cash sales
4. Assets are to be acquired in the months of August and October at Shs. 8,000,000 and Shs. 25,000,000 respectively
5. An application has been made to the bank for the grant of a loan of Shs. 30,000,00 and it is hoped that it will be received in the month of November
6. It is anticipated that a dividend of Shs. 35,000,000 will be paid in December
7. Debtors are allowed one month's credit
8. Sales commission at 3% on sales is paid to the salesmen each month

Required

A cash budget for the six months ending 31 December 2017. (20 MKS)