



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY

UNIVERSITY EXAMINATION FOR BACHELOR OF INTERNATIONAL
TOURISM YEAR THREE SEMESTER ONE

BBM 3311: MANAGEMENT ACCOUNTING

DURATION: 2 HOURS

MAIN CAMPUS

INSTRUCTIONS

1. Answer Question ONE and any other TWO Questions in this paper.
2. DO NOT write on the QUESTION paper, all writings should be done on the Examination Answer Booklet
3. Observe University Examination Rules and Regulations

QUESTION ONE (30 MARKS)

- a) The following information relate to BM Ltd's business activities for the year 2015/2016.

	Kshs
Wages and salaries of employees:	
In factory (60% is directly concerned with units being manufactured)	150,000
In sales force	15,000
In administration	26,000
Carriage Costs:	
On raw materials brought into the firm	1,800
On finished goods delivered to customers	1,100
Rent and Rates:	
Of Factory Block	4,900
Of sales department and showrooms	1,000
Of administration Block	1,100
Travelling Expenses:	
Sales Staff	3,400
Administrative Staff	300
Factory workers not directly connected with production	200
Raw materials:	
Stock at start of period	11,400
Bought in the period	209,000
Stock at close of period	15,600
Royalties payable per unit of production	400
Depreciation:	
Sales staff cars	500
Vehicles used for deliveries to customers	300
Cars of administrative staff	400
Machinery in factory	1,800
Office machinery	200
Interest costs on borrowed funds	800
Other indirect manufacturing costs	6,000
Other administrative expenses	4,000
Other selling expenses	1,000

Use the information to determine the total cost of this company that forms the basis of pricing its products (17 marks)

- b) Discuss the differences between fixed costs and variable costs (5Marks)
- c) Explain why marginal costing technique should be used when deciding how to utilize spare capacity through additional production capacity

(8 Marks)

QUESTION TWO (20 MARKS)

XY ltd produced 200,000 units of its product Z whose unit cost was:

Direct material cost Kshs 80 per unit

Direct labour cost Kshs 60 per unit

Production overheads Kshs 30 per unit

Fixed overheads (direct) Kshs 20 per unit

Given that the fixed cost was Kshs 3,070,000 and the selling price per unit was Kshs 800.during the year the company sold 190,000 units of the product. Prepare an income statement for the company using

- a) Full Costing technique (10 marks)
- b) Variable Costing Technique (6 marks)
- c) Reconcile the profits for the company (4 marks)

QUESTION THREE (20 MARKS)

The following information was extracted from Alpha Company books of Accounts for the period ending 31st December 2015.

	Product		
	X	Y	Z
	KSHS	KSHS	KSHS
Sales	200,000	300,000	500,000
Variable Costs	120,000	210,000	350,000

Given that the total costs are kshs 160,000.

- a) Determine the firms break-even point in shillings (12 marks)
- b) Given that the sales mix changes to X : 50%; Y :30% and Z : 20% but the fixed costs remain the same what will be the new break-even point for the company (8 Marks)

QUESTION FOUR (20 MARKS)

- a) Explain the following terms:
 - i) Throughput Costs (3 Marks)
 - ii) Sunk Costs (3 Marks)
 - iii) Relevant costs (3 Marks)
 - iv) Semi Variable costs (3 Marks)
- b) Discuss the main usefulness of Margin of Safety (8 marks)