



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DIPLOMA OF BUSINESS MANAGEMENT
2nd YEAR 1st SEMESTER 2024 ACADEMIC YEAR
MAIN CAMPUS

COURSE CODE: BBM 2215

COURSE TITLE: MANAGERIAL ACCOUNTING & CONTROL

EXAM VENUE: MAIN CAMPUS, BONDO

DATE:

EXAM SESSION: DECEMBER 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** questions in section A and any **Three** questions in section B
2. Ensure you write your Name, Registration Number, Date, booklet serial number and Signature on the attendance sheet
3. Show all your workings.
4. Do not write anything on the question paper
5. Candidates must hand in their answer booklets to the invigilator while in the examination room.

SECTION A

QUESTION ONE

- a) Define management accounting & explain its nature (8 Marks)
- b) Bondo Enterprises Ltd is a general merchandise company having been established recently. They have hired a shop to sell their goods as well as a warehouse space for storage purposes before the goods can be transferred to the shop for sale. They intend to continue in business in the long term and even expand to the neighboring towns. The director Mr. Jawalla Jenta has been wondering how this will affect their costs as the operations expand. Being the manager in charge of operations Mr. Jawalla has requested you to highlight how the costs will change. Using graphical illustrations, briefly explain the behavior of costs with the change in operations? (12 Marks)
- c) Management accounting is no more than the use of financial information for purposes of decision making for those charged with decision making. Explain this statement & clearly distinguish between management accounting and financial accounting.(8 Marks)
- d) Giving relevant examples, Explain the following terms
 - i) Direct & indirect costs (2 Marks)
 - ii) Opportunity costs (2 Marks)
 - iii) Incremental costs(2 Marks)
 - iv) Relevant & irreverent costs(2 Marks)
 - v) Product and period costs (2 Marks)
 - vi) Sunk costs (2 Marks)

SECTION B

QUESTION TWO

- a) The production manager of XYZ Company, is concerned about the apparent fluctuation in efficiency and wants to determine how labour costs (in Sh.) are related to volume. The following data presents results of the 12 most recent weeks.

Week No.	Units Produced(X)	Labour Costs(Y)
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180
9	41	376
10	47	295
11	34	215
12	24	275

Required:

Estimate the cost function using the high low method (6 Marks)

- b) An Hospital provided the following estimate of fixed and variable costs which were incurred during the month of May 2022 to serve 250 patients.

Variable costs

Medical supplies	4,400
Hourly wages	10,650
Communication Exp.	<u>1,600</u>
Total Variable Cost	<u>16,650</u>

Fixed costs

Hospital administrator's salary	3,400
Rent	1,850
Ambulances hire	<u>2,500</u>
Total fixed costs	<u>7,750</u>

Required:

Using the account analysis method, determine the total cost equation of the company. (4 marks)

- c) Briefly state and explain the importance of cost estimation to an organization you know (10 marks)

QUESTION THREE

The following information has been provided by xyz Ltd which produces a product xy.

Direct cost Shs. 50 (This is the variable cost per unit both material and labour)

Selling price Shs. 200

The fixed costs of producing the product are estimated at Kshs. 500,000.

REQUIRED.

- Determine the breakeven point (BEP) in units and in Shillings. (3Marks)
- Calculate the sales required to make a profit of Shs. 1,000,000/= before tax. (4Marks)
- Compute sales required to make the same profit after tax if the tax rate is 25%. (4Marks)
- Determine the margin of safety if the profit before tax is 200,000/= (3 Marks)
- Outline any **Three** assumptions of Cost, Volume & Profit (CVP) Analysis (6 Marks)

QUESTION FOUR

Nandi Forests uses a joint process to manufacture two grades of wood: A and B. During October 2023, the company incurred Shs. 16,200,000 of joint production cost in producing 27,000,000 board feet of Grade A and 9,000,000 board feet of Grade B lumber. The company allocates joint cost on the basis of board feet of lumber produced. The company can sell Grade A lumber at the split-off point for Shs. 0.70 per board foot. Alternatively, Grade A lumber can be further processed at a cost of Shs. 0.75 per board foot and then sold for Shs. 1.50 per board foot. No opportunity exists for processing Grade B lumber after split-off.

- How much joint cost should be allocated to Grade A and to Grade B lumber? (5 Marks)
- If Grade A lumber is processed further and then sold, what is the incremental effect on Mau Forest' net income? (5 Marks)
- Advice if additional processing should be performed by Mau forests? (2 Marks)
- Briefly state & explain any **FOUR** effects of joint product costing on managerial decision making and Control (8 Marks)

QUESTION FIVE

Red Dragon Ltd produces a single product at a variable cost per unit as follows:

	Shs.
Direct Labour	12
Direct Material	8
Variable Overhead	<u>6</u>
	<u>26</u>

Each unit is sold on the market for Shs 45. The normal activity level of the company is the production of 60 000 units per annum. Budgeted fixed production cost is Shs. 300,000.

Actual fixed costs for the year were:

	Shs.
Production	320 000
Administration	130 000
Selling and distribution	100 000

There is also a variable distribution cost of Shs. 2 per unit. For the year ended 31 December 2022 the company produced 62 000 units and sold 58 000 units. At the start of the year there were 2 000 units in stock.

REQUIRED:

- Prepare marginal costing statement (7 Marks)
- Prepare absorption costing statement (7 Marks)
- Prepare a statement to reconcile the net profit under both systems. (4 Marks)
- Comment on the reason (s) for the differences in profit (2 Marks)