

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

SCHOOL OF AGRICULTURE AND FOOD SECURITY

**UNIVERSITY EXAMINATION FOR THE BACHELOR OF SCIENCE
IN AGRIBUSINESS**

4TH YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR

MAIN CAMPUS

MANAGEMENT ACCOUNTING

COURSE CODE: BBM 3416

COURSE TITLE:

TIME: 2HOURS

Instructions:

1. Answer **THREE** questions, question **ONE** is compulsory
2. Candidates are advised not to write on the question paper
3. Candidates must hand their answer booklets to the invigilator while in the examination room.

QUESTION ONE

- a) What is the difference between a merchandising company, a manufacturing company and a service company in terms of acquiring, producing and selling goods and services? How do these differences affect the balance sheet and income statement? (10 marks)
- b) Suppose Mutiso Architectural firm has an objective to attain a profit of Kshs. 1 million in the coming year. Further, assume that the unit variable cost is Kshs. 200/- total fixed costs are Kshs. 400,000/- and the average fee charged per client hour is Kshs. 3007- How many charged client hours is required to achieve the profit objective? (10 marks)
- c) Transline Safaris Ltd operates five buses between two towns which are

50kms apart. The cost accountant of the company obtained the following data relating to these buses for the month of October, 2013:

	Kshs
Wages for drivers, conductors, cleaners	252,000
Office Salaries	105,000
Diesel and other oils	367,500
Repairs and Maintenance	84,000
Levies and Insurance	168,000
Depreciation	273,000
Interest and other Expenses	<u>210,000</u>
	<u>1,459,500</u>

Notes:

- i. Each bus seats 50 passengers
- ii. During the period capacity utilization was 80%
- iii. The entire fleet operated throughout the month
- iv. Each bus made one round trip per day

Required: Compute

- i. Operating cost sheet for the month (5 marks)
- ii. The cost per passenger kilometer for the period (5 marks)

QUESTION TWO

The following information relates to the activities of a production department of Kingsway Designs Ltd for the month of September 2014

Direct Wages	Kshs. 400,000
Direct Materials	Kshs. 800,000
Direct Labour hours worked	80,000 hours
Machine hours utilized	20,000 hours

The total overhead incurred by production department during the period was Kshs. 600,000 job number 1050 was produced in the department during the period with the following data made available:

Direct Wages	Kshs. 20,000
Direct Materials	Kshs. 48,000
Direct Labour hours worked	3,600 hours
Machine hours	1,000 hours

Required:

Calculate the total cost of job number 1050 using the following overhead absorption methods:

- i. Direct labour hours (10 marks)
- ii. Direct machine hours (10 marks)

QUESTION THREE

Excel Company Manufacturers a single product. The following data relates to the product for the year ended 30/09/2014

Activity Level	50%	100%
Sales and Production (units)	Kshs.000	Kshs.000
Sales	8,000	16,000
Production Costs: Variable	3,200	6,400
Fixed	1,600	1,600

Single Distribution: Variable

Fixed

Notes:

1. The normal level of activity per year is 800,000 units
2. Fixed costs are incurred evenly throughout the year
3. The fixed costs during the year were the same as budgeted costs.
4. There were no stocks of the product at the beginning of the year.
5. In the first quarter 220,000 units were produced and 160,000 units sold.

Required: Prepare income statements for the financial year ended

30/09/2014 using:

- i) Marginal Costing Method (10marks)
- ii) Absorption Costing Method (10marks)

QUESTION FOUR

- a) Explain two benefits of a functional budget (5marks)
- b) Urembo Products manufactures two types of hair relater: regular and super. The following estimates relates to the financial year ending 31/12/2014

Activity level	Regular	Super
Selling Price per unit(Shs)	720	1,050
Direct Materials Usage per unit(kgs)	12	18
Direct Labour usage per unit(hrs)		
Skilled	4.5	0.9
Semi skilled	2.4	3.6
Sales(units)	24,000	36,000
Finished Goods Stock(units)		
Opening	4,500	5,700
Closing	6,300	4,800

Notes:

- i. The cost of direct materials is Kshs. 25 per kg
- ii. Semi skilled labour paid hourly rate of Shs. 25 while skilled labour hourly rate is Shs. 40
- iii. Opening direct materials was 105,000 kgs while closing is expected to be 52,500kgs

Required:

Prepare the following budgets based on the above information:

- i) Sales budget
- ii) Production budget
- iii) Materials usage budget
- iv) Materials purchase budget
- v) Labour cost budget

QUESTION FIVE

In the month of April. 2014 Githurai Ceramics produced 2,000 units of ceramics. The following transactions were recorded during the month:

1. Direct materials used 4,400kgs. The standard allowance per finished unit is two kgs at Shs. 15/- per kg. 6,000kgs were purchased at Shs. 16/50 per kg.
2. Actual direct labour hours were 3250 at a total cost of Shs. 40,300. The standard direct labour cost per finished was Shs. 18/- Standard labour time allowed is 1.5 hours per unit.

Required:

Calculate:

- i. Direct materials price and efficiency variance
- ii. Direct labour price and efficiency variance
- iii. Prepare journal entries for a standard - cost system that isolates variances as early as possible.

Note:

The direct materials price variance will be based on a flexible budget for actual quantities purchased, but efficiency variance will be based on a flexible budget for actual quantities used.