



The Co-operative University of Kenya

SPECIALS AND SUPPLEMENTARY EXAMINATION AUGUST-2019 EXAMINATION FOR THE DIPLOMA IN ACCOUNTING AND FINANCE

UNIT CODE: DMAF 1202

UNIT TITLE: MANAGEMENT ACCOUNTING

DATE: 27TH AUGUST, 2019

TIME: 2:30 PM – 4:30 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Differentiate between Management Accounting and Financial Accounting. (10 Marks)
- (b) The following data relates to Apex Business for the period July 2018 – December 2018.

Month	Output (units)	Total Managing costs
July	100	22,000
August	80	20,200
September	50	11,000
October	120	23,000
November	90	21,500
December	75	18,600

Required;

Determine the business fixed and variable costs for manufacturing its products using linear regression analysis. (10 Marks)

- (c) Estimated costs and operating data for THREE companies for year 2017 are given below.

	COMPANIES		
	A	B	C
Direct labour Hours	90,000	50,000	70,000
Machine Hours	50,000	80,000	24,000
Raw materials costs	550,000	230,000	300,000
Manufacturing overhead costs	900,000	450,000	600,000

Predetermined overhead rates are computed on the following basis in the three companies.

Company A overhead rate based on Direct Labours Hours

Company B overhead rate based on Machine Hours

Company C overhead rate based on Raw Material Cost.

Required;

Compute the predetermined overhead rate to be used in each company during the year 2019. (10 Marks)

QUESTION TWO

- (a) Silpack Ltd manufacturers a single procedure for which the standard materials cost is as follows;
Material cost 14 kg @ 3/= per unit. During the month of September 2017, 800 Units were manufactures using 16,000 kg of materials purchased at kshs 45,300/= which 44,600 kg were issued to production department.

Required;

Determine material price variance and material usage variance.

- (b) Kenpoly Ltd was expected to produce 800 units. But 940 Units were produced. The standard labour cost per unit was kshs 85/= (10 hours @ 8.50/= per hour) the actual labour cost was kshs 48,000 and labour force was recorded as 3,200 hours, but were paid 3,500 hours.

Required;

Calculate the Direct Labour variance and Efficiency variance for Kenpoly Ltd. (20 Marks)

QUESTION THREE

- (a) Thermopak Ltd produces and sells a product. The selected costs for the operating data relating to the product for a recent year are given.

Beginning Inventory (units)		0
Units produced during the year		20,000
Units sold during the year		16,000
Ending inventory (units)		4,000
Selling price per unit		100
Variable per unit		10
Fixed per year		140,000
Manufacturing costs		
Variable per unit	Direct materials	21
	Direct labour	6
	Variable overheads	3
Fixed per year		200,000

Required;

- (a) Prepare Income statements under Absorption costing material.
 (b) Prepare income statements under marginal costing method.
 (c) Reconcile the marginal and Absorption costing net Incomes. (20 Marks)

QUESTION FOUR

- (a) Backyard shoes operates a chain of shoe stores. The shoes have identical purchase costs and selling prices open another store which would have the following cost and revenue relationship.

Basic data	per pair kshs
Selling price	1,500
Cost of shoes	800
Sales commission	50
Total variable cost	850

Additional data:

Annual fixed costs	kshs
Rent	120,000
Salaries	300,000
Advertising	70,000
Other fixed costs	40,000

Required;

- (a) What is the B.E.P in units and shillings
 (b) If 20,000 pair of shoes are sold, what would be the stores operating income or loss. (20 Marks)

QUESTION FIVE

- (a) Outline THREE similarities and THREE differences between job order costing and process costing methods. (12 Marks)
- (b) Outline the assumption of cost volume profit Analysis . (8 Marks)