SOUTH EASTERN KENYA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

DAC 203: INTRODUCTION TO MANAGEMENT ACCOUNTING

DATE: 11TH APRIL, 2018   **TIME: 10.30-12.30PM**

Instructions to candidates:

Answer question one and any other Two

Question One

a) Explain the three costing systems   (3 marks)
b) Explain Four arguments in favour of marginal costing   (4 marks)
c) Total output of Mutua Daniel for one week was 480 units.He was allowed 8 minutes per unit .He completed these units in 52 hours.His wage rate per hour is shs.18.Calculate Katuku's total wage according to Halsey scheme   (4marks)
d) Differentiate between Normal and Abnormal process losses   (4 marks)
e) Discuss Five assumptions of Break –Even chart   (5 marks)
f) Explain two features of Batch costing giving appropriate illustrations   (4 marks)
g) Explain Four advantages of standard costing   (4 marks)
h) Differentiate between the terms scrap and waste as used in process costing   (2marks)

Question Two

i) Product N16 has standard direct material cost of 15 litres of material X at £10 per litre(15*10=£150 per unit).During the year,2000 units of X were manufactured using 293400 litres of material X which cost £295000.Required

   a. Material total variance   (2marks)
   b. Material price variance   (2marks)
   c. Material usage variance   (2marks)
   d. Explain four causes of material usage variance   (4marks)
   e. Explain two reasons why material price variance will occur   (2marks)

ii) Determination of standard costs raises the problem of how the standards should be. Discuss the four types of standards that arise. (8 marks)

QUESTION THREE

i. Given that the following information was available for M & M ltd, you are required to determine the labour cost variances ;
Standard rate per hour   sh10
Standard time per unit   2hrs
Time worked   4250hours
Time paid (4326 hours)   sh42500
Production achieved   2180 units   (8marks)

ii. Explain Two causes of the labour efficiency variance   (2marks)

iii. The trading results of XYZ ltd for the first year of business which ended on 31st December 2016 are expected as follows:

	Sh	sh
Sales (at sh5 per unit)		400000
Less.		
Materials	160000	
Labour	64000	
Variable overhead	40000	
Fixed overhead	60000	324000
Profit		76000

During 2016 the factory had been working at 50% capacity and marketing manager has estimated that the quantity sold could be doubled in 2017 if the selling price was reduced to sh 4 per unit.No change is anticipated in unit variable cost but certain administrative changes to cope with the additional volume of work increases fixed overhead by sh 10000.
Required:

i. Evaluate the marketing managers proposal   (6 marks)

ii. Assuming the market price was reduced as proposed , unit variable cost as in 2016 and fixed overhead increased by sh10000.Calculate what quantity would need to be sold in 2017 to yield a profit of sh105000.   (4mark)

QUESTION FOUR

i. Mbusyani Traders Ltd are planning to sell badges at the forthcoming SEKU conference at sh.9 each.The badges cost sh 5 to produce and the firm incurs sh 2000 to rent a booth for their activities at the university.

Required
a) Compute the break- even point both in units and sales value   (2 marks)
b) Define margin of safety and determine its value in the case above   (3 marks)
c) Compute the number of units that must be sold to earn a before tax of 20%   (5 marks)

d) Compute the number of units that must be sold to earn an after tax profit of sh1640 assuming that the tax rate is 30% (5 marks)

ii. You are analyzing an offeror's cost proposal.As part of the proposal the offeror shows that a supplier offered 5000 units of a key part for sh 60000.The same quote offered 4000 units for shs 50000.Determine the apparent variable cost per unit. (5marks)

QUESTION FIVE

You are provided with the data below drawn from Mbusyani Enterprises records about product X.

Units of Output (X)	Cost in shs.(Y)
24	2000
27	2200
30	2400
33	2450
36	2500

Using the least squares method, you are required to determine

i. Fixed cost (10marks)
ii. Variable cost (10marks)