



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2016/2017 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)**

Date: 11th August, 2016.
Time: 5.30pm – 7.30pm

KAC 102 - INTRODUCTION TO MANAGEMENT ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Differentiate between the following giving examples of each;
- i) Fixed cost and variable cost (4 Marks)
 - ii) Prime cost and overheads: (4 Marks)
- b) Describe the following terms as used in management accounting;
- i) Cost unit (3 Marks)
 - ii) Cost centre (3 Marks)
 - iii) Profit centre (3 Marks)
- c) Give any four benefits arising from the use of a budget in a business organization (8 Marks)
- d) Differentiate between overhead allocation and apportionment (4 Marks)
- e) List the steps involved in standard costing (4 Marks)

QUESTION TWO (20 MARKS)

From the following information, prepare a cost statement for **lock hot** business enterprise
Stocks on 1st January 2012:

	shs
Raw materials	450,000
Working progress	220,000
Stocks on 31 st December 2012:	
Raw materials	650,000
Work in progress	190,000
Purchases of raw material	6,700,000
Carriage inward	250,000
Returns of raw material	150,000
Direct wages	2,800,000
Factory rent	600,000
Power	480,000
Depreciation of plant	350,000
Supervisor's salaries	550,000
Office salaries	700,000
Office expenses	120,000
Depreciation of office equipment	50,000
Sales men salaries	680,000
Delivery van expenses	270,000
Depreciation of delivery vans	180,000
Advertisement	120,000

QUESTION THREE (20 MARKS)

The following information relates to a factory which has four departments;

i)	<u>Overhead</u>	<u>shs</u>
	Rent	800,000
	Repair to plant	500,000
	Depreciation of plant	400,000
	Light and heat	200,000
	Supervision	600,000

ii) **Information in respect of the four departments**

<u>Department</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Areas square metres	1,500	1,200	800	500
Number of employees	35	25	25	15
Value of plant (sh)	5,000,000	3,000,000	2,000,000	—

a) For each of the above overheads determine the appropriate base and rate of appointment.

(10 Marks)

b) Using the above rates apportion the above five overhead items to the four departments

(10 Marks)

QUESTION FOUR (20 MARKS)

Using the table below to answer the questions that follows;

Level of output	Fixed cost	Variable cost	Total cost	Sales	Profit
Units	Shs	Shs	Shs	Shs	Shs
5000	600,000	250,000		500,000	
10,000	600,000	500,000		1,000,000	
15,000	600,000	750,000		1,500,000	
20,000	600,000	1,000,000		2,000,000	

- a) Fill the table above (8 Marks)
- b) Using information in the above table draw a well labelled break even chart (8 Marks)
- c) Use the above chart to determine;
- i) Break even point output and sales (2 Marks)
- ii) Margin of safety if actual level of output is 20,000 units (2 Marks)

QUESTION FIVE (20 MARKS)

Central store Ltd manufactures three products;

X, Y and Z

Using the information given below, you are required to prepare budgets for the month of May 2013 for;

- i) Sales in quantity and value, including total value (4 Marks)
- ii) Production quantities (8 Marks)
- iii) Material usage in quantities (8 Marks)

Budgets preparation information is given as under;

<u>Products</u>	<u>quantity</u>	<u>Sales</u>	
		<u>price each per units (shs)</u>	
X	1,000		2,000
Y	2,000		2,400
Z	1,500		2,800

Material used

Material	M ₁	M ₂	M ₃
Unit cost (shs)	80	120	180

Quantities used

Materials: M₁ M₂ M₃

<u>Products</u>			
X	4	2	-
Y	3	3	2
Z	2	1	1

Product:	<u>Finished stocks</u>		
	X	Y	Z
<u>Quantities</u>			
<u>As at:</u>			
1 st May	1,000	1,500	500
31 st May	1,100	1,650	550

	Material stocks :	<u>Material stocks</u>		
		M1	M2	M3
<u>Quantities</u>				
<u>As at:</u>				
1 st May		26,000	20,000	12,000
31 st May		31,200	24,000	14,400