PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE

END OF SEMESTER EXAMINATION – ONLINE

DEPARTMENT: BUSINESS

COURSE CODE: BUA 3113

COURSE TITLE: MANAGEMENT ACCOUNTING

Time: 3 HOURS

Instructions

- ***Read all questions carefully before attempting.***
- ***Answer FOUR questions out of the SIX Provided***
- ***Question ONE is Compulsory***

QUESTION ONE (Compulsory)

a. Discuss any two differences between cost accounting and management accounting (2 marks)

b. Dainty Manufacturing transferred KES 3,000,000 of raw materials into production during the most recent year. Direct labour and factory overheads for the period totalled KES 2,000,000. Beginning work in process was KES 670,000 and ending work in process was KES 850,000. Finished goods inventory decreased by KES 50,000. Calculate the sales for the period If gross profit was KES 1,000,000. (3 Marks)

c. Citing relevant examples, highlight the five main contents of a budget manual (5 marks)

QUESTION TWO

XYZ company produces three products X, Y and Z. For the coming accounting period budgets are to be prepared based on the following information.

Budgeted sales

Product X	2,000 at $100 each
Product Y	4,000 at $130 each
Product Z	3,000 at $150 each

Budgeted usage of raw material

	RM11	*RM22*	*RM33*
Product X	5	2	–
Product Y	3	2	2
Product Z	2	1	3
Cost per unit of material	$5	$3	$4

Finished inventories budget

	Product X	*Product Y*	*Product Z*
Opening	500	800	700
Closing	600	1,000	800

Raw materials inventory budget

	RM11	*RM22*	*RM33*
Opening	21,000	10,000	16,000
Closing	18,000	9,000	12,000

	Product X	*Product Y*	*Product Z*
Expected hours per unit	4	6	8
Expected hourly rate (labour)	$9	$9	$9

From the above information, prepare the budgets below:

a. Sales budget (2 marks)

b. Production budget (2 marks)

c. Material usage budget (3 marks)

d. Material purchases budget (3 marks)

QUESTION THREE

a. Highlight the importance of cash budgets, while giving an example. (2 marks)

b. Using the information below, prepare a cash budget for the six months to 31 March 20X4 (8 marks)

Peter Blair has worked for some years as a sales representative, but has recently been made redundant. He intends to start up in business on his own account, using $15,000 which he currently has invested with a building society. Peter maintains a bank account showing a small credit balance, and he plans to approach his bank for the necessary additional finance. Peter asks you for advice and provides the following additional information.

(a) Arrangements have been made to purchase non-current assets costing $8,000. These will be paid for at the end of September and are expected to have a five-year life, at the end of which they will possess a nil residual value.

(b) Inventories costing $5,000 will be acquired on 28 September and subsequent monthly purchases will be at a level sufficient to replace forecast sales for the month.

(c) Forecast monthly sales are $3,000 for October, $6,000 for November and December, and $10,500 from January 20X4 onwards.

(d) Selling price is fixed at the cost of inventory plus 50%.

(e) Two months' credit will be allowed to customers but only one month's credit will be received from suppliers of inventory.

(f) Running expenses, including rent but excluding depreciation of non-current assets, are estimated at $1,600 per month.

(g) Blair intends to make monthly cash drawings of $1,000.

QUESTION FOUR

a. Giving relevant examples, give two distinguishing characteristics between service costing and other costing methods. (2 marks)

b. Using the information below, calculate the average cost per tonne-kilometre in week 26. (8 marks)

Happy Returns Ltd operates a haulage business with three vehicles. The following estimated cost and performance data is available:

Petrol	$0.50 per kilometre on average
Repairs	$0.30 per kilometre
Depreciation	$1.00 per kilometre, plus $50 per week per vehicle
Drivers' wages	$300.00 per week per vehicle
Supervision and general expenses	$550 per week
Loading costs	$6.00 per tonne

During week number 26 it is expected that all three vehicles will be used, 280 tonnes will be loaded and a total of 3,950 kilometres travelled (including return journeys when empty) as shown in the following table:

Journey	**Tonnes carried**	**Kilometres**
	(one way)	(one way)
1	34	180
2	28	265
3	40	390
4	32	115
5	26	220
6	40	480
7	29	90
8	26	100
9	———	————
	280	1,975
	———	————

QUESTION FIVE

a. Highlight any two reasons why the following cost variances can be adverse

   i. Material usage variance (2 marks)

   ii. Labour efficiency variance (2 marks)

b. Using the below information, prepare the labour budget for the forthcoming year. Skilled labour is to be paid at the rate of $9 per hour and semi-skilled labour at the rate of $6 per hour. (6 marks)

QUESTION SIX

a. Integrated accounts are a set of accounting records that integrates both financial and cost accounts in one system of ledger accounts.

   i. Highlight any two disadvantages of integrated systems over systems which have separate systems for cost and financial accounting (2 marks)

   ii. Give a suggestion of how each problem stated in (i) above can be solved. (2 marks)

b. Calculate the overhead budget using the information below (6 marks)

Newton Ltd manufactures three products. The expected production levels for each product are shown below.

Product 1 Product 2 Product 3

Budgeted production in units 2,700 4,100 2,800

Two types of labour are used in producing the three products. Standard times per unit and expected wage rates for the forthcoming year are shown below:

Product 1 Product 2 Product 3

Hours per unit

Skilled labour 3 1 3

Semi-skilled labour 4 4 2

Production overheads per labour hour are as follows:

Variable $3.50 per labour hour

Fixed $5.50 per labour hour