PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

JANUARY-APRIL 2022

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: CAC 301

COURSE TITLE: MANAGEMENT ACCOUNTING

EXAM DATE:

TIME:

INSTRUCTIONS

- This examination script consists of **SIX (6)** questions.
- Answer question **ONE** and ANY other **THREE** Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

QUESTION ONE (COMPULSORY) (10 MARKS)

A company manufactures and sells a single product. Budgeted data per unit of the product is:

	Shs. per unit
Selling price	8.50
Variable cost	3.70
Fixed production overhead	2.90

The above fixed production overhead absorption rate is based on budgeted production of 12,000 units per period. Budgeted non-production overhead (all fixed) is shs.16,800 per period.

Actual sales and production for two periods has been:

	Period 1	Period 2
Sales	11,600 units	12,400 units
Production	12,000 units	12,300 units

There was no stock at the start of Period 1. The selling price, unit variable costs and total fixed costs were as per budget in both periods.

REQUIRED

(a) Prepare profit statements, using absorption costing, showing the actual results for each of the two periods. (5 marks)

(b) The company wishes to compare the results reported in (a) above with those that would be reported using marginal costing. Prepare profit statements, using marginal costing, showing the actual results for each of the two periods. (5 marks)

QUESTION TWO (10 MARKS)

The following are the budget and actual figures for a period:

	SHS	SHS	
Budget:			
Sales:		260,000	(20,000 units @ £13.00)
Production: 20,000 units			
Production costs:			
Direct materials	61,200		(12,000 kg @ £5.10)
Direct labour	69,700		(8,200 hours @ £8.50)
Fixed overhead	48,000		(20,000 units @ £2.40)
		178,900	
Gross profit		81,100	
Actual:			
Sales		257,800	(19,600 units)
Production: 20,400 units			
Production costs:			
Direct materials	62,496		(12,440 kg)
Direct labour	70,227		(8,262 hours)
Fixed overhead	48,160		
	180,883		
Increase in stock (at standard)	(7,156)		
		173,727	
Gross profit		84,073	

No raw material or work-in-progress stock is held.

REQUIRED

(a) Calculate any FIVE variances (NB not total variances eg total direct material variance) (10 Marks

QUESTION THREE **(10 Marks)**

a) Discuss the objective of Cost-Volume-Profit (CVP) analysis. Use a suitable example (2 marks)

b) Explain FOUR limitations of Cost-Volume-Profit (CVP) analysis. (8 marks)

QUESTION FOUR **(10 Marks)**

Write short note on the following:

i. Key Factor (3 Marks)

ii. Steps involved in Zero Based Budgeting (2 Marks)

iii. State the general principles of Standard Costing. (3 Marks)

iv. Profit Variance (2 Marks)

QUESTION FIVE **(10 Marks)**

A manufacturing concern, which has adopted standard costing, furnished the following information: Standard Material for 70 kg finished product: 100 kg.

Price of materials: Re. 1 per kg.

Actual Output: 2,10,000 kg.

Material used: 2,80,000 kg.

Cost of material: Rs. 2,52,000.

Calculate:

(a) Material Usage Variance (4 Marks)

(b) Material Price Variance (3 Marks)

(c) Material Cost Variance (3 Marks)

QUESTION SIX **(10 Marks)**

Discuss the following using suitable examples:

i. Process costing

ii. Batch costing

iii. Job costing