PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF BUSINESS LEADERSHIP

BACHELOR OF COMMERCE

MAY-AUGUST 2019

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BUA3113|CAC301

COURSE TITLE: MANAGEMENT ACCOUNTING

EXAM DATE: FRIDAY 9th AUGUST 2019

DURATION: 2 HOURS

TIME: 2:00PM-4:00PM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- This exam script consists of **Six (6)** questions.
- Answer ALL q**uestions in SECTION A (compulsory)** and A**ny other three (3)** questions from **SECTION B**
- *ALL PAC University's examination rules and regulations apply*

SECTION A: ATTEMPT ALL QUESTION (30 MARKS)

QUESTION ONE

a) Evaluate four benefits that an organization may obtain from using computers in management accounting (4 Marks)

b) Describe four differences between Management accounting and Financial accounting (8 Marks)

c) "A budgetary control system could prove successful only when certain conditions exist."

With reference to the above statement, highlight six conditions for an effective budgetary system (6 Marks)

d) XYZ Ltd manufactures a product branded as "Zed". The company has a production capacity of 1,000 units of Zed per day. The following information relates to one unit of the product:

	Shs
Materials	120
Labour	40
Variable overheads	40
Fixed overheads	100
Selling price	400

Required

i. Calculate the break-even point (BEP)of sales at the current selling price for 1,000 units (4 Marks)

ii. The marketing manager intents to reduce the selling price by either 10% or 20% for the 1,000 units without affecting the total profit.

Advise the marketing manager on the required sales volumes under the two options (8 Marks)

SECTION B: ATTEMPT ANY THREE QUESTIONS (30 MARKS)

QUESTION TWO

The following data relates to the Total costs incured by Makin Garage Ltd in a period of eight weeks:

Week	Number of cars repaired	Total costs incurred Shs. "000"
1	90	5,200
2	100	6,000
3	120	6,200
4	150	3,530
5	160	3,850
6	220	4,300
7	300	5,870
8	340	7,150

Required:

a) Using regression analysis method, formulate an equation in the form of $Y = a + bx$ that could be used to estimate the total cost incured. (8 Marks)
b) Estimate the Total cost that will be incured in week 10 (2 Marks)

QUESTION THREE

A company manufactures and sells three products X, Y and Z. the unit cost and revenue structure for each product and it's maximum forecast demand for the coming period is as follows.

Product :	**X**	**Y**	**Z**
Selling price per unit(Shs.):	140	100	120
Variable cost per unit (Shs.)	70	60	80
Maximum demand (units)	500	300	300
Machine hrs requested per unit	10	4	5

The company has a maximum of 6,000 machine hours available during the coming period. Annual fixed costs incurred amount to shs. 20,000

Required

a) Calculate the number of units of each product X,Yand Z which should be produced and sold in order to maximize profit. (5 Marks)

b) Calculate the products in units to be produced and sold . if the company wishes to maximise the sale of product X because it is thought to be a futur market leader (5 Marks)

QUESTION FOUR

The accounts records of Debris Limited a Manufacturing company as on 31st December 2011 was as follows:

Fuel and power (factory)	900,000
Direct expenses (factory)	10,800,000
Lubricants (factory)	2,100,000
Sales	97,920,000
Carriage inwards	1,500,000
Inventory: 1st January 2011	
Raw materials	3,000,000
Work in Progress	2,100,000
Finished goods	900,000
Inventory: 31st December 2011	
Raw materials	4,500,000
Work in progress	2,700,000
Finished goods	1,200,000
Wages: Direct	12,000,000
Indirect	18,000,000
Purchase of raw materials	30,000,000
Rent of factory	1,200,000
Depreciation on factory plant	900,000
Internal transport (factory)	600,000
General factory expenses	900,000
Insurance of factory building & plant	1,800,000
Carriage outwards	300,000
Lighting (administration)	150,000
Bank charges	90,000
Discount allowed	120,000
Depreciation on machinery	300,000
General expenses	300,000
Office rent	300,000
Insurance (administration)	600,000
Salesmen commission	180,000
Salesmen's salaries	300,000

Additional information

Finished goods are transferred from factory at cost plus mark-up of 5%.

Required

a) Draw the company's manufacturing account and income statement for the year ended 31st Dec 2011 (6 Marks)

b) Draw company's statement of financial position as at 31st December 201 (4 Marks)

QUESTION FIVE

Lamu processing company Ltd manufatures a standard product branded as "LIM". Currently it is operating on a normal activity level of 70% with an outpu of 6,300 units.

The sales director beliefs a realistic forecast for the next budget period would be at an activity level of 50%. The following data relates

The following data relates to the forecasted costs of the product for different levels of activity.

	60%	**70%**	**80%**
Diresct materials	151,200	176,400	201,600
Direct wages	64,800	75,600	86,400
Production overheads	150,400	164,800	179,200
Administrative overheads	126,000	126,000	126,000
Selling and distribution	169,200	176,400	183,600
Total cost	**661,600**	**719,200**	**776,800**

Profit is 20% of selling price

Required

a) Flexible budget based on a 50% level activity (8 Marks)
b) State two problems which might arise from such a change in the level activity (2 Marks)

QUESTION SIX

Maji Ltd. manufactures two products A and B. The following data relates to the company's operations for the year ended 31st March 2015:

Products:	**A**	**B**
Sales in units	120,000	40,000
Sales in shillings	8shs.	13shs.
Variable cost	7shs.	6shs.
Total fixed cost		600,000 Shs.

Required

i. Break-even point in total for each product (3 Marks)

ii. The company proposed to change the sales mix in units to the ratio of 1: 1 for products A and B. Calculate the Break-even point of the sales mix in units and in shillings. (7 Marks)