The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE (BCOM YR IV SEM I)

UNIT CODE: HBC 2401

UNIT TITLE: MANAGEMENT ACCOUNTING

DATE: 20TH DECEMBER, 2016 **TIME: 2:00 PM – 4:00 PM**

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

(a) Explain the THREE main forces for change in the role of the management accountant, according to Burns and Scapens. (6 Marks)

(b) Identify and explain any FIVE problems with performance measurement in non-profit making organizations. (5 Marks)

(c) Explain any THREE methods of transfer pricing. (4 Marks)

(d) Because the over-65 population will be growing more rapidly in the next few decades, health –care spending is expected to increase significantly in the coming decades. The following table gives the projected health –care expenditure (in billion shillings) of Matopeni county from 2015 to 2020:

Year	2015	2016	2017	2018	2019	2020
Expenditures	2.00	2.17	2.34	2.50	2.69	2.90

Required:

Estimate the expenditure (round to 2 decimal places) for the year 2025, using the following:

(i) High – low method (5 Marks)

(ii) Least squares/regression analysis. (10 Marks)

QUESTION TWO

(a) Highlight the FOUR main perspectives of a balanced score card. (4 Marks)

(b) Mixers Ltd makes FOUR products,the A, B, C and D. The company is planning its production mix for the following period. Relevant data is given below:

	A	B	C	D
Selling price per unit (sh)	19	25	40	50
Overheads per unit (sh)	2	5	3	4
Direct labour cost per unit (sh)	4	7	15	20
Material cost per unit (sh)	9	9	15	16
Maximum demand (units)	1,000	5,000	4,000	2,000

Labour is paid at sh 6 per hour and labour hours are limited to 12,000 hours in the period.

Fixed costs are sh. 20,000

Required:

Determine the optimal production mix and profit for the period. (16 Marks)

QUESTION THREE

(a) Explain any FIVE assumptions underlying CVP Analysis. (5 Marks)

(b) Denno Ltd sells three products, K, L and M in the ratio of 3:2: 1 respectively.

The company's management wants to estimate the BEP for the next month. The unit sales prices and variable costs are given as below

Product	**K**	**L**	**M**
Selling price (sh)	50	70	40
Variable cost per unit (sh)	30	40	20

The company's overall fixed costs are sh 490,000 per month.

Required:

(i) Company's BEP (in sh) (8 Marks)

(ii) BEP (in sh) foe each of the three products. (3 Marks)

(iii) Forecasted product income statement at BEP. (4 Marks)

QUESTION FOUR

(a) Describe FOUR distint features of process costing (4 Marks)

(b) Explain the concept of Equivalent units in process costing. (2 Marks)

(c) For process 1, in JJ Ltd, the following information was is relevant for the month of June 2016:

Material costs: (5,000 units) sh 40,000

Labour cost: sh 32,200

Overhead: sh 22,000

Output: 4,000 fully-completed units, transferred to next process.

1,000 units in WIP and percentage of completion: materials 100%, labour 60% overheads 40%

There were no opening WIP.

Required:

(i) Statement of equivalent production. (5 Marks)

(ii) Statement of evaluation (5 Marks)

(iii) Process 1 account (4 Marks)

QUESTION FIVE

(a) A chemical manufacturing company makes a detergent from two component material, namely P and N. The material standard and actual inputs and rates are as given below;

Name of material	Standard		Actual	
	kgs	Shs	kgs	Shs
P	8,000	10.5	7,500	12.0
N	4,000	21.5	6,300	23.0

Required: For each material compute;

(i) Revised standard quantity (4 Marks)

(ii) Material price variance (4 Marks)

(iii) Material usage variance (4 Marks)

(iv) Material mix variance (4 Marks)

(v) Material yield variance (4 Marks)