



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

SECOND YEAR EXAMINATION FOR THE AWARD OF THE
BACHELORS DEGREE IN ACCOUNTING AND FINANCE
FIRST SEMESTER 2023/2024
[AUGUST-DECEMBER, 2023]

BBAM/BCOM 210: MANAGEMENT ACCOUNTING I

STREAM: Y2 S1

TIME: 2 HOURS

DAY: FRIDAY, 3.00 – 5.00P.M

DATE: 24/11/23

INSTRUCTIONS

- 1. Do not write anything on this question paper.***
- 2. Answer Questions ONE and any other THREE Questions***

QUESTION 1. (25 MARKS)

- a) A hospital records show that the cost of carrying health checks in the last five

accounting periods has been as follows;

Period	No of patients seen	Total cost
1.	650	17,125
2.	940	17,800
3.	1,260	18,650
4.	990	17,980
5.	1,150	18,360

Required: Estimate the cost of carrying out health checks on 850 patients using

- Regression model
- High – low method (12marks)

- b) Genius Company produces and sells a single product. Standard costs for a one unit of a product are as follows:

Direct materials	121L @ SHS1/L	shs12
Direct labour	3.6hours @ sh20/hour	72
Variable overhead	3.6hours @ shs10/hour	<u>36</u>
		<u>120</u>

During June 2003, 2000 units were produced and costs associated with the month are as follows:

Materials purchased	36000 L	@shs1.20/Litre	shs43200
Materials used in production	28000L	-	-
Direct labour	8000 hours	@19.50/hour	156000
Variable overhead			41600
costs incurred			

Required: i) MPV and MQV
ii) LRV and LEV
iii) Variable overhead spending and efficiency variance. (8marks)

c) Differentiate between management accounting and financial accounting (5marks)

QUESTION 2. (15 MARKS)

Assume that a company intends to sell product in the market, at a selling price

of sh.9 per unit. The V C is shs.5 per unit and the T F C is sh.2000

Required:

- Compute the B E P in units and in shs. (4marks)
- Assume that the company intends to make a profit before tax of 20% of sales, determine the number of units that must be sold. (5marks)
- Assume that the corporate tax rate is 30% and the company has a target profit of 1640 after tax. Compute the number of units that must be sold to earn this target profit. (4marks)
- If the company expects to sell 600 units, compute the marginal of safety. (2marks)

QUESTION THREE (15 MARKS)

- a) Define the term cost and classify it into six categories giving at least two examples in each (10marks)
- b) State and explain the four basic types of standards (5marks)

QUESTION FOUR (15 MARKS)

Production of product x passes through three processes A, B and C. During January, 3000 units of material were issued to process A at shs 25/=/ unit. Direct materials cost in the three processes were 15000/=, 36000/= and 54000/= respectively. Other costs were:

	A	B	C
Direct labour	90000/=	60000/=	30000/=
Direct expenses	8400/=	15600/=	6000/=

Total overheads amounted to shs 270000/= for the period. The firm uses direct labour cost to apply overheads at a rate of 150% in each department

Required

Show process account and finished goods inventory account (15marks)

QUESTION FIVE (15 MARKS)

- a) Explain the objectives of management accounting (6marks)
- b) State and briefly explain the assumptions of cost volume profit analysis (9marks)