KISII UNIVERSITY
UNIVERSITY EXAMINATIONS
PART – TIME EXAMINATIONS
EXAMINATION FOR THE AWARD OF THE DEGREE OF
BACHELOR OF EDUCATION (ARTS)
LEVEL 1 BLOCK 2
SESSION EXAMINATION 2021/2022
[JULY, 2022]

BUST 421: MANAGEMENT ACCOUNTING II

STREAM: L2 B2   **TIME: 2 HOURS**

DAY: WEDNESDAY 1.30 PM – 3.30 PM   **DATE: 6/07/2022**

INSTRUCTIONS

1. **Do not write anything on this question paper**

   Instructions: Answer Question One and any other TWO questions

1. (a) Wildlife escape generates average revenue of 4000/= per person on its five day package tours to wildlife parks in Kenya. The variable costs per person are:-

   Air fare 1500
   Hotel accommodation 1000
   Meals 300
   Ground transport 600
   Pare tickets and other costs 200
   <u>3600</u>
   Annual fixed costs total 480, 00/=

   Required:

   i.   Calculate the number of packages tours that must be sold to be bread even. (2marks)
   ii.   Calculate revenue needed to earn a target operating income of 100, 000/= (2marks)

iii.   If fixed costs increase by 24000, what decrease in variable cost per person must be achieved to maintain the breakeven point calculate in (i) above   . (4marks)

(b) Explain the following terms as used in management accounting

     i.   Differential costs   (2marks)
     ii.   Behavioral considerations   (3marks)
     iii.   Joint product and by product   (2marks)
     iv.   Explain two functions of a management accounting system   . (4marks)
     v.   Financial performance measures of performance evaluation.   (3marks)

(c) Kamau operates a continuous process producing three products and one by-product. Output from the process for a month was as follows:-

Product selling price per unit Units of output from process

1 18 10000

2 25 20000

3 20 20000

4(by product) 2 3500

Allocate the joint costs of ksh 500, 000 to main products using revenue basis. (2marks)

(d) The standard cost card of a company for the period

0.90 litres of liquidized vegetables @ 0.80/litres 0.72

0.05 litres of melted butter @ 4/litre 0.20

1.10 litres of stock @ 0.50/litre 0.55

Total cost to produce 1 litre of 50 soup. 1.47

The board has asked that variance be calculated for month 4

In month 4 the production department data is as follows.

Liquidised vegetables – Bought 8200 litres , costing 69700/=

Melted butter_ Bought 4900 litres costing 21070/=

Stock _ Bought 122000 litres costing 58560/=

Actual production was 112000 litres of soup

Compute:

i.   Material mix variance
ii.   Material yield variance. (6mks)

2. The following data are supplied relating to two investment projects, only one of which may be selected.

   Project A
   Ksh Project B
   Ksh

   Initial capital expenditure
   50, 000
   50, 000
   Profit (loss) year 1 25, 000 10, 000
   2 20, 000 10, 000
   3 15, 000 14, 000
   4 10, 0000 26, 000
   Estimated resale value at the end of year 4 10, 000 10, 000

   Notes

   1. Profit is calculated after deducting straight line depreciation
   2. The cost of capital is 10%.

Required:

   i.   Calculate for each profit:
   -   Average annual rate of return on average capital investment.
   -   Pay- back period
   -   Net present value.   (12marks)

   ii. Briefly discuss the relative merits NPV and pay-back.   (5marks)
   iii. Explain which project you would recommend.   (3marks)

3. (a) Using weighted average method apportion the costs on the following data relating to a certain company
   Units Materials Labour overheads
   Opening W.I.P 1000 540 (USD) 355 (USD)
   Degree of completion of opening W.I.P 100% 50%

Completed production 3800
Costs incurred in current process 2255(USD) 1748(USD)
Closing W.I.P 1300
Degree of completion of closing W.I.P 100% 75%

There were no process losses. (12mks)

(b) A department with no opening work in introduced 1000 units into the process. 700 are completed and 150 are 20% complete, and 150 are lost as normal loss. Losses are detected upon completion. Material costs are 10000/= (all introduced at the start of the process) and conversion costs are 6000/=.

Required:

Compute the unit cost calculations and show the process account. (8mks)

4 .The following data relates to the year ending 30th June 2000.

Month machine hours fuel oil expense ('000')

July 340 640

August 300 620

September 340 620

October 390 590

November 420 500

December 320 530

January 260 500

February 260 500

March 310 530

April 350 550

May 430 580

June 480 680

420

==6840

 Assuming an estimate of an equation of the form y = a+ bx where Y is the total expense at an activity level x, a is the fixed expense and b is the rate of variable cost.

Required:

i. Estimate fixed and variable elements of fuel oil expense from the above data by both

-High- low method   (4marks)

- Least- squares regression analysis   (8marks)

ii. Determine the coefficient of determination and interpret the significance. (8marks)