



**FACULTY OF BUSINESS MANAGEMENT
END OF SEMESTER EXAMINATIONS - APRIL 2025**

PROGRAMME: BBA

YEAR/SEM: YEAR 3/SEMESTER 1

COURSE CODE: ACC 3101

NAME: MANAGEMENT ACCOUNTING

DATE: 2025-04-22

TIME: 9:00AM-12:00PM

INSTRUCTIONS TO CANDIDATES:

1. Read the instructions very carefully
2. The time allowed for this examination is STRICTLY three hours
3. Read each question carefully before you attempt and allocate your time equally between all the Sections
4. Write clearly and legibly. Illegible handwriting cannot be marked
5. Number the questions you have attempted
6. Use of appropriate workplace examples to illustrate your answers will earn you bonus marks
7. Any examination malpractice detected will lead to automatic disqualification.

DO NOT WRITE ANYTHING ON THE QUESTION PAPER

Section A question one is compulsory

Question 1:

QUESTION ONE

ARIAM Limited has a balance sheet as at 30th December 1999 as shown below:

Non- current asset	610,000	
Less accumulated depreciation	<u>264,000</u>	346,000
<u>Current assets</u>		
Inventory		
210,000		Accounts
Receivable		
315,000		Bank
Balance	<u>48,000</u>	
		573,000
		<u>919,000</u>
<u>Capital and Liability</u>		
Issued share capital		
600,000		
General reserves		
150,000		
Retained Earnings		
41,000		
		791,000
<u>Current Liabilities</u>		
Accounts Payable	108,000	
Proposed Dividends	20,000	
128,000		
Total Equity and Liability		
<u>919,000</u>		

Months	January	February	March	April	May	June
Sales	250,000	550,000	300,000	400,000	540,000	300,000

The following relates to the sales forecast for the next six months.

It is estimated that:

- 60% of the sales will be credit sales.
- Of the Accounts Receivable, 80% will pay in the month following the sales and 20% in the next month.
- The purchases for the next six months will be as follows on credit.

Month	January	February	March	April	May
Purchases	300,000	300,000	400,000	500,000	500,000

- Suppliers will be paid in the month following delivery
- The company will pay rent amounting to 600,000 in March For the year.

- f) Wages per month will be 54,000 per month except for the month of March and June where they will be higher by 5000 due to overtime.
- g) Proposed dividends will be paid in February 2000.
- h) Overheads totaling to 10,000 will be paid per month payable in the month that they are incurred.
- i) Assets shs.80, 000 will be purchased in January.
- j) Depreciation is provided on all non-current assets at 20% using the reducing balance method.
- k) Inventory of 150,000 is expected to remain at the end of June 2001.
- l) At no time should the company have a negative cash balance.

REQUIRED.

Prepare a cash budget and a new balance sheet for the above company after transactions, and comment on its performance. (20 mks)

Section B answer any three questions

Question 1:

A manufacturing co. produces three products, namely Q AND P. two types of material X, Y and Z are used to manufacture these products. The following information is provided by the company for the year 1999:-

a) Budgeted sales	quantity	price
Q	18,000	Shs 65 each
P	20,000	Shs 80
S	17,000	SHs 70

b) material used	X	Y	Z
unit cost	shs 6	shs 3	shs 4
quantity used			
Q	3	6	5
P	5	4	3
S	5	3	4

There were the following stocks:

Products	opening	closing
Q	3,000	1,500
P	2,000	2,500
S	3,000	2,000

MATERIALS

X	5,000	6,000
Y	4,000	3,000
Z	3,500	3,000

REQUIRED

Prepare the following budgets

- a) Sales budget (5 mks)

- b) **Production budget** (5mks)
 c) **Material usage in quantities** (5mks)
 d) **Material purchase in quantity and value** (5 mks)

Question 2:

A manufacturing co. produces two products, namely Q AND P. two types of material X AND Y are used to manufacture these products. The following information is provided by the company for the year 1989:-

a) Budgeted sales	quantity	price
Q	18,000	Shs 65 each
P	20,000	Shs 80

b) material used	X	Y
unit cost	shs 6	shs 3
quantity used		
Q	3	6
P	5	4

There were the following stocks:

Products	opening	closing
Q	3,000	1,500
P	2,000	2,500

MATERIALS

X	5,000	6,000
Y	4,000	3,000

REQUIRED

Prepare the following budgets

- a) **Sales budget** (5mks)
 b) **Production budget** (5 mks)
 c) **Material usage in quantities** (5 mks)
 d) **Material purchase in quantity and value** (5 mks)

Question 3:

Explain the following:

- a) Material usage variance
 b) Material price variance
 c) Wage efficiency variance
 d) Wage rate variance

Calculate each variance above from the following figures:

Actual hours worked	5,000hours
Standard rate per hour	shs 10
Actual wage paid	shs 210,000
Standard hours allowed	5,850 hours
Standard price per kg	shs 2
Actual price per kg	shs 4
Actual output	40,000 units
Standard quality allowed	26,000kg

Actual quantity used	25,000kg
Actual quantity purchased	26,500kg

Question 4:

- distinguish between normal loss and abnormal loss (5 mks)
- what is meant by abnormal gain? and how is it treated in in process costing?(5mks)
- explain what you understand by contribution costs (5mks)
- explain any five types of variances (5 mks)

Question 5:

- A furniture company uses plywood for its table tops. It provides the following data.

- Standard quantity of plywood per table	4sqft
- Standard price per sq. ft. of plywood	shs. 500
- Actual production of tables	1,000
- Actual Plywood used	4, 300sq.ft.
- Actual purchase price of plywood per sq. ft.	shs. 550
- Calculate the material cost variance	(6 MARKS)
- Given: Standard hours per unit 15 hrs
 Standard rate shs. 400 per hour
Actual data:
 Actual production 1,000 units
 Actual hours 15,300 hours
 Actual rate shs. 390 per hour
 Calculate labour cost variance (6 marks)
 What are the 4 causes of the materials and labour variances in any business of your choice? (8 marks)

Question 6:

Explain the following:

- Material usage variance
- Material price variance
- Wage efficiency variance
- Wage rate variance

Calculate each variance above from the following figures:

Actual hours worked	5,000hrs
Standard rate per hour	shs 10
Actual wage paid	shs 55,000
Standard hours allowed	4,850 hours
Standard price per kg	shs 2
Actual price per kg	shs 0.2
Actual output	20,000 units
Standard quality allowed	16,000kg
Actual quantity used	15,000kg
Actual quantity purchased	16,500kg