INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

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:
TIME:

INSTRUCTIONS TO CANDIDATES:

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			264,000
	346,000		
Currentassets			
Inventory			
210,000			Accounts
Receivable			
315,000			Bank
Balance	48,000		
		573,000	
			919,000
CapitaLandLiability			
Issued capital			share
600,000			
General reserves			
150,000			
Retained			Earnings
41,000			
		791,000	
CurrentLiabilities			
Accounts Payable	108,000		
Proposed		Dividends	
20,000			

128,000

Total Equity and Liability
919000

Months	January	February	March	April	May	June
Sales	250,000	550,000	300,000	4000,000	540,000	300,000

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

It is estimated that:

a) 60% of the sales will be credit sales.

b) Of the Accounts Receivable, 80% will pay in the month following the sales and 20% in the next month.

c) The purchases for the next six months will be as follows on credit.

Month	January	Februar y	March	April	May	June
Purchas es	300,00 0	300,00 0	400,00 0	500,00 0	500,00 0	500,00 0

d) Suppliers will be paid in the month following delivery

e) 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)

Question 2:

QUESTION ONE

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

Non-current asset		
610,000	Less accumulated depreciation	264,000
	346,000	
Currentassets		
Inventory		
210,000		Accounts
Receivable		
315,000		Bank
Balance	48,000	
		573,000
		919,000
CapitaLandLiability		
Issued		share

capital
600,000 General
reserves
150,000 Retained Earnings

41,000

791,000

CurrentLiabilities

Accounts Payable
108,000
Proposed Dividends
20,000
128,000 Total Equity and
Liability
919000

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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:

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	5,000hrs
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

Question 2:

A product passes through three processes— A, B and C. 10,000 units at a cost of ₹1.10 were issued to Process A. The other direct expenses were as follows:

	PROCESS-A	PROCESS-B	PROCESS-C
Sundry materials	1,500	1,500	1,500
Direct labour	4,500	8,000	6,500
Direct expenses	1,000	1,000	1,503

The wastage of process 'A' was 5% and in process 'B' 4%

The wastage of process 'A' was sold at ₹0.25 per unit and that of 'B' at ₹ 0.50 per unit and that of C at ₹ 1.00.

The overhead charges were 160% of direct labour. The final product was sold at ₹10 per unit fetching a profit of 20% on sales. Find out the percentage of wastage in Process 'C'

Question 3:

a) You are provided by the following information relating to the production of 2.000sofa sets by Huangsung Company. It's estimated that the following costs will incurred if the order is accepted:

Materials: timber 400meters @20,000. Nails 200kgs @4,000 and vanish 10 liters at 25,000 per liter. workers working in department A will be 100employees @ 5000 per worker while department B will 30 workers working for 10 days at the rate of 2,000 per day per man.

The variable overheads are absorbed as follows: dept A uses the basis of direct labor hours at the rate of 3,000per hour while dept B absorbs such overheads as 20% of prime costs required for the order. The cost of fixed manufacturing overheads per bench is 400/=

Required:

i. Determine the unit cost of each bench. (5marks)

ii. What price will be charged if the company targets gross profit of 25% profit on cost?

(2 ½ marks)

iii. What price will be charged if the company targets gross profits of 25% profits on sales?

(2 ½ marks)

iv. The variable costs at the various levels of output of a product are expressed by the following equation.
Cost= Shs $ax+bx^2+cx^3$

Where; A=16

B=1.2

C=0.08

Required

Calculate the variable cost of 200 units and 300 units and show whether its convex or concave (10MKS)

Question 4:

a) 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)

b) 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 5:

Product P passes through three distinct processes to completion. In December 2009, the cost of

production were as follows:-

Materials 200,000

Direct Labour 300,000

Direct expenses 500.000

Production over heads are 600,000/=

1,000 units at 500/= were issued as input to **process ONE**, Out puts of each process were as follows:

Process ONE 900 Units

Process TWO 850 Units

Process THREE 900 Units

Normal Loss per Process were as follows;

Process I 10%

Process II 5%

Process III 10%

The loss in each process represented scrap which could be sold to a trader at a value as follows:

Process I shs. 30 per unit

Process II shs. 50 per unit

Process III shs. 60 per unit

There was no stock of materials of Work in progress in any department of production at the

beginning and end of the period. Production overheads are absorbed in each process on the basis

of 50% of the cost of direct labour.

Required: Prepare process I, II and III accounts and abnormal Gain/LOSS account. (20 MKS)

Question 6:

Product Pee passes through three distinct processes to completion. In December 2009, the cost of

production were as follows:-

Materials 1500,000

Direct Labour 200,000

Direct expenses 500.000

Production over heads are 150% of the direct labour

2,000 units at 500/= were issued as input to **process ONE**, Out puts of each process were as follows:

Process ONE 1,900 Units

Process TWO 1,800 Units

Process THREE 1,900 Units

Normal Loss per Process were as follows;

Process I 10%

Process II 5%

Process III 10%

The loss in each process represented scrap which could be sold to a trader at a value as follows:

Process I shs. 30 per unit

Process II shs. 50 per unit

Process III shs. 60 per unit

There was no stock of materials of Work in progress in any department of production at the

beginning and end of the period. Production overheads are absorbed in each process on the basis

of 50% of the cost of direct labour.

Required: Prepare process I, II and III accounts and abnormal Gain/LOSS account. (20 MKS)

Question 7:

ABC ltd manufactures and sells only one type of furniture item. The standard production costs of this item are as follows;

Direct materials

Material x- 25 meters at shs, 1 per meter

Material y-1okgs at shs 4 per kg

Direct labor-10 hours at 12,5 per hour

Overheads

Variable; shs 2 per direct labour hours

Fixed; shs 3 per direct labour hours

The sale price per completed item is shs 300

The fixed overhead is allocated on the basis of budgeted production volume of 3,500 units per year.during the financiala year ended 31 may, the output was 4,000 units. The actual production costs incurred during the year are given below;

Direct materials	shs
Material x- (80,000 meters)	86,400
Material y-(31,500kgs)	124,425
Direct labor-(51,000 hours)	410,750
Overheads	
Variable;	243,800

Fixed;
251,060

REQUIRED

Calculate the following variances;-

i) Material price and usage variances

ii) Labor rate and efficiency variances

iii) Total variable overhead variance

iv) Fixed overhead volume variance

v) Comment on the company's usage of materials and labor.
(each 4mks)

Question 8:

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 9:

Amanufacturing 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 10:

Amanufacturing co. produces three products, namely Q AND P. two types of material X, Y and Zare 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 11:

a) briefly describe the salient features of batch costing.(5mks)

b) explain progess payment. (5 mks)

c) retention money (5 mks)

d) discuss the important features of contract costing (5 mks)

Question 12:

a) distinguish between normal loss and abnormal loss (5 mks)

b) what is meant by abnormal gain? and how is it treated in in process costing?(5mks)

c) explain what you understand by contribution costs (5mks)

d) explain any five types of variances (5 mks)