INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - DECEMBER 2025

PROGRAMME: MBA
YEAR/SEM: YEAR 2/SEMESTER 1
COURSE CODE: MBA813
NAME: COST AND MANAGEMENT ACCOUNTING

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

Attempt all parts of this section

Question 1:

(a) The following information relates to **five employees** of **Rwenzori Manufacturing Ltd** for the week ended **31st October 2025**:

Employee	Hours Worked	Basic Rate (UGX/hour)	Overtime Hours	Overtime Rate	Salary Advance (UGX)
1. Kato	46	8,000	6	1.5 × basic rate	0
2. Nakato	40	9,000	4	2 × basic rate	50,000
3. Musoke	42	7,500	2	1.5 × basic rate	0
4. Namara	48	8,200	8	1.5 × basic rate	80,000
5. Mugisha	44	8,500	4	1.5 × basic rate	0

Additional Information:

- NSSF: 10 % of Gross Pay
- PAYE: 8 % of Gross Pay after NSSF
- Local Service Tax (LST):

UGX 100,000 per employee

Required: Prepare a Payroll Summary for all five employees showing Gross pay, and Net Pay.

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(10 marks)

(b) Define a **Cost Statement** and list its **main components** explaining briefly how each

component contributes to determining the total cost of production. **(10marks)**

(c) Differentiate between a **Fixed Budget** and a **Flexible Budget**, and discuss **two circum**

stances under which a flexible budget is more useful to management. **(10marks)**

(d) Analyze **three advantages** and **two limitations** of applying the **Batch Costing** method in a

manufacturing environment.

(10marks)

Question 2:

(a) The following information relates to **five employees** of **Nile Textiles Ltd** for the week ended **7th November 2025**:

Employee	Hours Worked	Basic Rate (UGX/hour)	Overtime Hours	Overtime Rate	Salary Advance (UGX)
1. Mbabazi	40	10,000	2	1.5 × basic rate	0

Employee	Hours Worked	Basic Rate (UGX/hour)	Overtime Hours	Overtime Rate	Salary Advance (UGX)
2. Nsimbe	45	9,500	5	1.5 × basic rate	30,000
3. Ouma	43	8,800	3	2 × basic rate	0
4. Akello	40	8,000	4	1.5 × basic rate	25,000
5. Lwanga	46	9,000	6	1.5 × basic rate	0

Note:

- NSSF: 10 % of Gross Pay
- PAYE: 8 % of Gross Pay after NSSF
- Local Service Tax (LST): UGX 100,000 per employee

Required:
Prepare a **Payroll Summary** ensuring you comply with Ugandan employment Laws indicating *Net Pay* for each employee.

(10 marks)

(b) Define **Process Costing** and give **three examples of industries** where it is best applied.

(10marks)

(c) Explain the **differences** between the **FIFO**, **LIFO**, and **Weighted Average** methods of pricing material issues, and describe one

business implication of each method. **(10marks)**

(d) Evaluate **five major benefits** of implementing an effective **Budgetary Control** system in an organization.
(10marks)

SECTION B

Attempt any 3 questions in this section

Question 1:

Question Two:

a) Explain any three cost principles in financial management and their relevancy in decision making. (10marks)

b) A company manufactures 500 units of a product. The total cost of production is as follows:

- Direct materials: $2,000
- Direct labor: $1,500
- Factory overhead: $1,000

Calculate the cost per unit of the product. (10 Marks)

Question 2:

Question Three:

(a) "Discuss the role of standard costing and variance analysis in performance evaluation. How do these tools aid management in controlling costs and improving operational efficiency?" (10 marks)

b) A company has the following costs for producing 1,000 units of a product:

- Fixed costs = $5,000
- Variable costs = $3 per unit

Calculate the total cost of producing 1,000 units.

(10 marks)

Question 3:

Question Four:

a) Define the term "Master Budget" and explain its components. (10 marks)

b) What are the benefits of preparing a budget for an organization? (10 marks)

Question 4:

Question Five:

a) Explain the procurement procedure in material costing. (10 marks)

b) A company uses the FIFO method for material costing. The following data is available for material purchases:

- Beginning inventory: 100 units at $10 each
- Purchase: 200 units at $12 each
- Sale: 150 units

Calculate the cost of goods sold (COGS) under FIFO. (10 marks)

Question 5:

Question Six:

a) What are the 4 methods of labor remuneration and their advantages? (10

marks)

b) A company has the following data for a month:

a. Basic hourly rate: $15

b. Overtime rate: 1.5 times the basic hourly rate

c. Regular hours worked: 160 hours

d. Overtime hours worked: 20 hours

Calculate the total wages for the month. (10 marks)

Question 6:

Question Seven:

a) Explain the classification of overhead costs. (10 marks)

b) A company has the following overhead costs for the month:

- Total overheads: $10,000
- Allocation base: 2,000 machine hours

Calculate the overhead rate per machine hour.
(10marks)

Question 7:

Question Eight:

A company manufactures a product with the following standard costs:

- Direct Materials: 5 kg at $10 per kg
- Direct Labor: 2 hours at $15 per hour

Variable Overhead: 2 hours at $5 per hour

During the period, the company produced 1,000 units and incurred the following actual costs:

- Direct Materials: 5,200 kg at $9.50 per kg
- Direct Labor: 2,100 hours at $16 per hour
- Variable Overhead: 2,100 hours at $4.80 per hour

Required

Calculate the following variances:

I. Material Price Variance (4 marks)

II. Material Usage Variance (4 marks)

III. Labor Rate Variance (4 marks)

IV. Labor Efficiency Variance (4 marks)

V. Variable Overhead Spending Variance (4 marks)

Question 8:

Question Nine:

(a) Critically evaluate the relevance of standard costing systems in modern manufacturing and service industries characterized by automation, customization, and continuous improvement. *(10 marks)*

(b) Discuss the behavioural implications of variance reporting on managerial motivation and decision-making. How can variance analysis be designed to encourage responsibility and performance rather than blame?

(10 marks)

Question 9:

Question Ten:

(a) Compare and contrast traditional budgeting with modern approaches such as beyond budgeting, zero-based budgeting, and rolling forecasts. Which approach best supports strategic agility in turbulent business environments? *(10 marks)*

(b) Explain how variance analysis contributes to strategic performance management. Discuss

the challenges of relying solely on budget variances for control in decentralized or

dynamic organizations. *(10 marks)*

Question 10:

Question Eleven:

(a) Discuss the managerial significance of preparing a detailed cost sheet. How does it enhance transparency, control, and strategic decision-making in a manufacturing firm? *(10 marks)*

(b) Critically analyze how the proper classification of costs into fixed, variable, direct, and indirect categories influences pricing decisions, cost control, and profitability analysis. *(10 marks)*

Question 11:

Question Twelve:

(a) Explain the concept of relevant costing and its application in short-term managerial decisions such as make-or-buy, product discontinuation, or special order acceptance. *(10 marks)*

(b) Critically discuss the limitations of relying solely on quantitative cost data in decision-making. How should qualitative and strategic factors be integrated into cost-based decisions to ensure long-term value
creation?

(10 marks)

Question 12:

Question Thirteen:

(a) Evaluate the evolution of management accounting into strategic management accounting

(SMA). How does SMA incorporate external and non-financial information to support long-term competitiveness and innovation? *(10 marks)*

(b) Critically assess the role of the **Balanced Scorecard (BSC)** as a tool for integrating

financial and non-financial performance measures. Discuss its effectiveness and limitations in modern organizations. *(10 marks)*