



Riara School of Business
Nurturing business innovators

**SEPTEMBER-DECEMBER 2023 TRIMESTER EXAMINATIONS
DAY PROGRAMME
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION
RAC 202: PRINCIPLES OF MANAGEMENT ACCOUNTING**

DATE: DECEMBER 2023
HOURS

TIME: 2

GENERAL INSTRUCTIONS:

Students are NOT permitted to write on the examination paper during reading time.
This is a closed book examination. Text book/Reference books/notes are not permitted.

SPECIAL INSTRUCTIONS:

- 1 Write your REGISTRATION NO. Clearly on the answer booklet(s).
- 2 **Answer Question One and ANY other TWO questions.**
- 3 Questions in all sections should be answered in answer booklet(s).
- 4 Marks allocated to each question are shown at the end of the question.
- 5 PLEASE start the answer to EACH question on a NEW PAGE.
- 6 For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
- 7 Write your answers in paragraph form unless stated otherwise.
- 8 Keep your phone(s) SWITCHED OFF at the front of the examination room.
- 9 Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
- 10 You are only allowed to leave the examination room 30minutes to the end of the Examination.

QUESTION ONE: COMPULSORY (30 MARKS)

- a) ABC Ltd manufactures products X, Y and Z. Data on sales and expenses for the past month are as follows:

	X	Y	Z
sales	145000	500000	360000
less variable costs	<u>60000</u>	<u>200000</u>	<u>150000</u>
contribution Margin	<u>85000</u>	<u>300000</u>	<u>210000</u>
less fixed costs			
advertising-traceable	41000	110000	65000
depreciation of special equipment	20000	40000	35000
line supervisor's salaries	8000	7000	6000
General factory overhead	28000	100000	72000
total fixed expenses	<u>95000</u>	<u>257000</u>	<u>178000</u>
Net operating profit	<u>-12000</u>	<u>43000</u>	<u>35000</u>

Management is concerned about continued losses shown by product X and wants your recommendation as to whether or not the line should be discontinued. The special equipment used to produce product X has no resale value. If product X is dropped, the two-line supervisors assigned to the product would be discharged.

Required:

Should production and sale of product X be discontinued? You may assume that the company has no other use for the capacity now being used to produce Product X. Show your computations to support your answer. **(10 marks)**

- b) Describe **four** differences between financial accounting and management accounting **(8marks)**
- c) Explain four ethical responsibilities of a management accountant **(8 marks)**
- d) Explain four assumptions of cost volume profit (CVP) analysis **(4 marks)**

QUESTION TWO

- a) XYZ ltd. has provided the following details for the month of November 2023 in respect of production and sales:
- Normal capacity 45,000 units per month

- ii. Variable cost per unit shs. 8
- iii. Actual production 42,000 units
- iv. Sales 38,000 units @ shs. 18 per unit
- v. Fixed manufacturing overhead shs. 120,000 per month/ shs3 per unit of actual production.
- vi. Selling and distribution expenses (fixed) shs.100,000
- vii. Variable selling expenses 10% of sales

Required:

- i) Prepare an income statement for the year assuming the company uses absorption Costing method **(6 marks)**
 - ii) Prepare an income statement for the year assuming the company uses variable/marginal costing method **(6 marks)**
- b) Explain four benefits of transfer pricing **(8 marks)****

QUESTION THREE

From the following information, prepare a monthly cash budget for the three months ending 31st December 2021.

Month	Sales (Shs 000)	Materials (Shs000)	Wages (Shs000)	Production (Shs000)	Admin &selling (Shs000)
Jun.	3,000	1,800	650	225	160
Jul.	3,250	2,000	750	225	160
Aug.	3,500	2,400	750	250	175
Sep.	3,750	2,250	750	300	175
Oct.	4,000	2,300	800	300	200
Nov.	4,250	2,500	900	350	200
Dec.	4,500	2,600	1,000	350	225

1. The credit terms are as follows:
 - (i) Sales — 3 months to debtors
 - (ii) 10% of sales are in cash.
 - (iii) 50% of credit sales are paid on the due dates, while the other 50% are paid in the next month.
 - (iv) Credit materials purchases — 2 months to trade creditors.
2. The lag in payment for wages is 1/4 month and 1/2 month for overheads
3. The cash and bank balance on 1st October is expected to be Shs1,500,000.
4. Plant and machinery are to be installed in August at a cost of Shs. 24,000,000. This sum will be paid in monthly instalments of Shs. 500,000 each from 1st October.
5. Preference shares dividends at 5% on Shs.50,000,000 are to be paid on 1st December.
6. dividends from investment amounting to Shs. 250,000 are expected on 31st December.

7. Income tax installment is to be paid in December Shs.500,000

Required:

- i. Prepare a schedule of expected sales collections (8 marks)
- ii. Cash Budget for three Months Ending 31 December. 2021 (12 marks)

QUESTION FOUR

- a) Explain **four** components of balanced scorecard (8marks)
- b) Explain **three** differences between job costing and process costing (6 marks)
- c) Describe **six** steps of developing cost estimating relationship (CER) (6 marks)