



kasneb

ATD LEVEL III

FUNDAMENTALS OF MANAGEMENT ACCOUNTING

MONDAY: 20 May 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Show ALL your workings.

QUESTION ONE

- (a) Describe four characteristics of a good labour remuneration system. (8 marks)
- (b) Bidii Enterprises applies an incentive scheme of labour remuneration.

The following data is provided for three employees:

| Details | Jane | Peter | Anne |
|-------------------------------|---------------|---------------|---------------|
| Time allowed per unit (Hours) | $\frac{1}{4}$ | $\frac{1}{6}$ | $\frac{1}{2}$ |
| Units produced | 474 | 684 | 175 |
| Time taken (Hours) | 78 | 72 | 80 |
| Basic pay per hour (Sh.) | 600 | 600 | 300 |
| Rejected units | 54 | 84 | 25 |

Additional information:

- Bonus is paid at 50% of the normal wage rate for every hour saved.
- No penalty is imposed on rejected output.

Required:

For each of the above employees, determine:

- (i) Bonus payable. (5 marks)
- (ii) Gross wages payable. (4 marks)
- (iii) Wages cost per unit made. (3 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Distinguish between “period costs” and “irrelevant costs”. (4 marks)

- (b) AMC Ltd. manufactures three products namely; A, B and C. The processes by which they are manufactured are independent of one another and the sales of any one product are in no way affected by the prices or volume of sales of the other products.

The company’s budgeted income statement is as follows:

| Details | Product | | |
|-------------------------|----------------|----------------|-----------------|
| | A Sh. | B Sh. | C Sh. |
| Sales | 30,000 | 20,000 | 150,000 |
| Production cost: | | | |
| Variable | (16,000) | (8,000) | (96,000) |
| Apportioned fixed | <u>(2,000)</u> | <u>(6,000)</u> | <u>(32,000)</u> |
| Gross profit | 12,000 | 6,000 | 22,000 |
| Selling costs: | | | |
| Variable | (5,400) | (5,200) | (5,400) |
| Apportioned fixed | <u>(1,400)</u> | <u>(1,400)</u> | <u>(1,200)</u> |
| Net profit/(loss) | <u>5,200</u> | <u>(600)</u> | <u>15,400</u> |

Required:

Advise the management of AMC Ltd. on whether Product B should be discontinued.

(8 marks)
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- (c) Corneril Ltd. has a weekly demand of 16 units of Product Zed. The unit cost of Product Zed is Sh.55 while fixed cost per order is Sh.4,400.
Corneril Ltd. is financed at a cost of 20% per annum. The company works for 50 weeks in a year.

Required:

The annual total inventory costs.

(8 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Jaribu Ltd. has been facing challenges in the control of operating costs. A consultant has advised the management that they need to understand the behaviour of the costs for control purposes.

The management accountant has provided the following data which relates to the production of 250 units:

| | Sh. |
|---------------------------------|---------|
| Direct materials cost | 80,000 |
| Direct labour cost | 120,000 |
| Indirect labour cost (fixed) | 3,000 |
| Indirect materials cost (fixed) | 18,000 |
| Depreciation cost (fixed) | 7,000 |
| Rent (fixed) | 15,000 |

Required:

Formulate a cost function in form of $Y = a + bx$ using accounts analysis method

(6 marks)

- (b) Kamama Ltd. operates separate cost accounting and financial accounting systems.

The following information for the year ended 30 April 2019 is available:

| | Sh. |
|---|---------|
| Cost of finished goods produced | 512,050 |
| Cost of goods sold | 493,460 |
| Direct materials issued | 197,750 |
| Direct wages | 85,480 |
| Production overhead (as per financial accounts) | 208,220 |
| Direct materials purchases | 216,590 |

Additional information:

- In the cost accounts, additional depreciation of Sh.12,500 per year is to be charged.
- Production overheads are absorbed at the rate of 250% of direct wages.
- The following were the balances as at 1 May 2018:

| | Sh. |
|----------------------------------|--------|
| Stores control account | 54,250 |
| Work-in-Progress control account | 89,100 |
| Finished goods control account | 42,075 |

Required:

- Stores control account. (3 marks)
- Work-in-Progress control account (5 marks)
- Finished goods control account (3 marks)
- Production overhead control account. (3 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Identify four differences between job order costing and process costing. (8 marks)

- (b) BetterCare Ltd. is a health facility that operates two branches in the country namely; Tibu and Afya.

For the month of April 2019, the following information was available:

| | Branch | |
|-----------------------|---------|--------|
| | Tibu | Afya |
| Number of beds | 780 | 500 |
| Number of inpatients | 23,472 | 8,165 |
| Average stay (days) | 7.5 | 19 |
| Number of outpatients | 216,500 | 63,920 |

| Details | Costs breakdown | | | |
|--------------------|-------------------|-------------------|-------------------|-------------------|
| | Tibu branch | | Afya branch | |
| | Inpatient Sh. | Outpatient Sh. | Inpatient Sh. | Outpatient Sh. |
| Supplies and drugs | 1,821,520 | 693,600 | 1,551,350 | 285,450 |
| Medical staff | 8,729,100 | 3,308,950 | 6,832,700 | 1,975,050 |
| Support services | 2,210,500 | 2,563,700 | 1,845,380 | 1,591,620 |
| General services | <u>3,524,470</u> | <u>1,721,800</u> | <u>1,937,410</u> | <u>635,600</u> |
| Total costs | <u>16,285,590</u> | <u>8,288,050</u> | <u>12,166,840</u> | <u>4,487,720</u> |

Required:

For each branch, compute:

- (i) Cost per inpatient. (6 marks)
- (ii) Cost per outpatient. (6 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Summarise six functions of a budget committee. (6 marks)
- (b) Amwa Ltd. manufactures two products: XL and YL, using two types of materials; M and N.

The following information relates to the production activities of the company in the month of March 2019:

1. **Budgeted sales:**

| Product | Quantity (Kgs.) | Price per unit (Sh.) |
|---------|-----------------|----------------------|
| XL | 1,250 | 215 |
| YL | 3,111 | 302 |

2. **Budgeted materials to be used per unit:**

| Material | M | N |
|------------------|----|----|
| Unit cost (Sh.) | 90 | 60 |
| Quantity (Kgs.): | | |
| XL | 6 | 4 |
| YL | 2 | 2 |

3. **The following inventories are expected:**

| Finished products | Opening inventories (Kgs.) | Closing inventories (Kgs.) |
|-------------------|----------------------------|----------------------------|
| XL | 200 | 501 |
| YL | 443 | 333 |
| Materials: | | |
| M | 221 | 100 |
| N | 50 | 155 |

Required:

- (i) Sales budget in value. (2 marks)
- (ii) Production budget. (4 marks)
- (iii) Material usage budget. (4 marks)
- (iv) Material purchases budget. (4 marks)

(Total: 20 marks)

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