

Note: Use each of the four headings of the balanced scorecard to structure your discussion.

(8 marks)

(Total: 20 marks)

QUESTION 5

- (a) The Managing Director (MD) of Geita Products has recently read an article about management accounting, which stated that 'understanding cost classifications and cost behaviour is essential to interpreting a management accounting information'. He has asked you to prepare a briefing note for distribution to the management team on the subject of cost classifications and cost behaviour.

REQUIRED:

Describe the main classifications of cost (Direct and Indirect, Product and Period Relevant and irrelevant, including examples to illustrate your answer. (6 marks)

- (b) Gikaro sounds Ltd produces two types of music systems, Amshaamsha and Tulivu. You are able to ascertain the following data:

Activity data:

Usage measures	Tulivu	Amshaamsha	Total
Units produced per year	5,000	50,000	55,000
Prime costs (TZS.)	39,000,000	369,000,000	408,000,000
Direct labour hours	5,000	45,000	50,000
Machine hours	10,000	90,000	100,000
Production runs	10	5	15
Number of material movements	120	60	180

Activity cost (overheads) data:

Activity	Cost (TZS)
Setups	60,000,000
Materials handling	30,000,000
Power	50,000,000
Testing	40,000,000
Total	180,000,000

REQUIRED:

- (i) Calculate the unit cost of each product using Machine hours as an overhead absorption basis. (6 marks)
- (ii) Calculate the unit cost of each product using the Activity Based Costing (ABC). (8 marks)
- (Total: 20 marks)