

**UGANDA MARTYRS UNIVERSITY**  
**FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT**  
**BAM III RUBAGA EVENING FINAL ASSESSMENT**  
**MANAGEMENT ACCOUNTING**

Date: 16<sup>th</sup> Dec 2013

Time: 5:30 - 9:30pm

**INSTRUCTIONS**

**Attempt any (4) Four Questions**

**All questions carry equal marks**

**Show all necessary workings**

**Question One**

- Define Management Accounting (5 marks)
- Explain the functions of management accounting to an organization (10 marks)
- Differentiate management accounting from financial accounting (10 marks)

**Question Two**

In making decisions, management of an organization goes through a specific process. Briefly explain the stages in the decision making process using an organization of your choice as an example. (25 marks)

**Question Three**

Tropix Limited manufactures four products; A, B, C and D. Output and cost data for the period just ended are as follows;

Products	Output in units	Number of production runs	Number of material orders	Material cost per unit	Direct labour hours per unit	Machine hours per unit
A	10	2	2	20,000	1	1
B	10	2	2	80,000	3	3
C	100	5	5	20,000	1	1
D	100	5	5	80,000	3	3

Additional information

Direct labour cost per hour is 5,000/=

Overhead costs in shs

- Variable overhead costs      3,080,000/=
- Set-up costs                      10,920,000/=
- Scheduling costs                9,100,000/=
- Material handling costs        7,700,000/=

**Required:**

- Determine the cost of each product using the traditional/conventional costing system and then using Activity based costing system (20 marks)
- Compare the results of the two systems and comment accordingly. (5 marks)

#### ✓ Question Four

- Define the CVP model and explain any five assumptions on which this model is based. (10 marks)
- Maria Limited produces and sells three products namely A, B and C. the following data was obtained for the year 2012

Products	A	B	C
Sales units	600	2,500	2,000
Unit selling price	2,500	1,000	3,000
Unit variable cost	1,000	400	2,200

Maria Limited incurs total fixed costs as given below;

Production costs – 3,200,000/=

Selling and Administration costs – 2,800,000/=

Required:

- Determine the multi-product firm's contribution to sales ratio (5 marks)
- Compute the firm's breakeven point in currency (5 marks)
- Determine each products' breakeven point in currency as well as in units of output. (5 marks)

#### ✓ Question Five

- Explain any five benefits of budgeting to an organization (5 marks)
- The following information has been made available from the records of Safegate Enterprises for the last six months of 2013.

	JULY	AUG	SEPT	OCT	NOV	DEC
Budgeted sales units	4,000	4,200	4,500	5,000	4,800	4,700
Closing stock in units	1,000	1,500	1,300	800	1,200	1,400

Safegate Enterprises anticipates to sell each unit at 2,000/= every month. The company had opening stock of finished goods amounting to 500 units. The company plans to reserve closing stock of finished goods at the end of the month and is part of the produced units. Information from the Head of Production department indicates that each unit requires the following composition of costs to be complete.

Cost Element	Unit cost in shs
Raw-materials (5 litres @ 2,000/= each)	10,000
Labour cost (10 hours @500/= each)	5,000
Variable overhead costs (20% of Labour costs)	<u>1,000</u>
	<u>16,000</u>

The Stores Manager reserves raw-materials equivalent to 5% of the next month's material requirements due to unreliable suppliers. Closing inventory of raw materials in December will be the same as in November.

The raw materials are purchased from the suppliers at 1,500/= per litre.

Required: Prepare the following functional budgets

1. Sales buget (4 marks)
2. Production budget (4 marks)
3. Production cost budget (4 marks)
4. Raw materials utilization budget (4 marks)
5. Labour cost budget (4 marks)

### **Question Six**

Standard Cost for Product RBT

	£
Materials (10kg x £8 per kg)	80
Labour (5hrs x £6 per hr)	30
Variable O/Heads (5hrs x £8 per hr)	40
Fixed O/Heads (5hrs x £9 per hr)	45
	195

### **Budgeted Results**

Production	10,000 units
Sales	7,500 units
Selling Price	£300 per unit

### **Actual Results**

Production	8,000 units
Sales	6,000 units
Materials	85,000 kg costing £700,000
Labour	36,000 hrs costing £330,900
Variable O/Heads	£400,000
Fixed O/Heads	£500,000
Selling Price	£260 per unit

**Compute the following variances (25 marks)**

- a. Material total variance
- b. Material price variance
- c. Material usage variance
- d. Labour total variance
- e. Labour rate variance
- f. Labour efficiency variance
- g. Variable overhead total variance and all sub- variances
- h. Fixed Production overhead total Variance and all sub-variances