

UGANDA MARTYRS UNIVERSITY

Final Examination for the Degree of Bachelor of Business Administration and Management of Uganda Martyrs University

Course name: Management Accounting

Course code: ACC 3106

Year of study: Three

Semester: One

Date: 14th Dec, 2012

Time: 9:00 AM – 12:00 Noon

Instructions:

1. The Exam is composed of Seven questions in total, and Four questions should be answered
2. Be neat and concise
3. Show all your workings
4. Additional Instruction is provided in the answer booklet

QUESTION ONE

- a) BAM Ltd is deciding among two alternatives of either purchasing a component from the self or produce in-house. Estimated costs to the company for produce internally include the following;

Cost Details	UGX'000
Direct Material	300
Direct Labour	100
Variable overheads	50
Fixed overheads	200

The outside supplier has quoted a price for direct purchase of UGX 500,000 per component for an order of 100 components.

Required:

- i. Prepare cost statements for for the two option for management decision (5 Marks)
 - ii. Based on the cost statement you have prepared, advise management of the best option to adopt, and why (5 Marks)
- b) Explain the different approaches used to allocate joint process cost to joint products (9 Marks)
- c) BAM has processed three joint products A, B, and C, in quantities of 2100, 1900, and 22000 units, respectively. The cumulative joint costs incurred up-to split-off point is UGX 72,000,000. Use the information provided to apportion the joint costs to the products (6 Marks)

QUESTION TWO

- a) The Cost-Volume-Profit (CVP) Analysis is premised on a number of assumptions. Use your understanding of CVP concept to highlight and explain all the assumptions (8 Marks)
- b) The following data relates to the planned information;

Units sold (Units)	46,200
Selling price (UGX)	1,200
Produced (Units)	46,200
Variable cost per unit (UGX)	700
Production overhead (UGX)	800,000
Administration costs (UGX)	1,700,000
Selling and Distribution (UGX)	2,500,000

Use the following information to answer the following questions;

- a. Establish the profit/loss from this operation (3 Marks)
- b. Suppose, the selling price is increased by 5%, find out the sales at break-even point (3 Marks)
- c. Establish the margin of safety (5 Marks)
- d. what is the profit/loss when variable cost increases by 10% (5 Marks)

QUESTION THREE

- a) Management accounting is inferred to include 'provision of information to people within the organization to help them make better decisions and improve the efficiency and effectiveness of existing operations'. Based on the preceding statement, highlight the different types of information generated by management accounting in a University (10 Marks)
- b) Management Accounting financial accounting are some common examples of accounting. Show the distinction between financial accounting and management accounting as commonly discussed by many scholars (15 Marks)

QUESTION FOUR

- a) Uganda amatyrs University produces a product called Vim which passes through two processes A and B. Details of inputs for production is as follows;

	Process A	Process B
Opening Work-in-progress	10,000 units 2/6 complete	20,000 ¼ complete
	Material UGX 50,000, Conversion costs UGX 70,000	previous process cost UGX 60,000 Materials UGX 40,000 Conversion costs UGX 120,000
Units started in the period	UGX 100,000	UGX 90,000
Closing Work-in-progress	UGX 50,000 ¾ complete	UGX 20,000 ½ complete
Material cost added	UGX 640,000	UGX 200,000
conversion costs added	UGX 750,000	UGX 860,000

Required:

- i. Prepare statement of Equivalent production (cost, units, and cost per unit) (10 Marks)
- ii. Prepare process accounts for the two processes (10 Marks)
- b) Advise Management of Uganda Martyrs University about the need to use process costing technique in management of students' records (5 Marks)

QUESTION FIVE

- a) Planning and Budgeting is a pre-requisite in managing formal organizations. As business professional, your mandate in budget preparation remain critical. Explain steps in budget preparation (12 Marks)
- b) Bliz Ltd is planning to improve its sales for the coming year starting Jan, 2013. Available details based on market research is provided below;
 - i. Sales will grow by 7% every month starting February to June, 2013, thereafter by 9% until the year end.
 - ii. Selling price will need to be adjusted to UGX 120 per unit for the months in first quarter, then UGX 150 per unit for the remaining months of the year.
 - iii. According to the sales executive, 5000 units will be sold each month, for the first six months, after which sales per month will increase to 6000 per month for the remaining months

Required:

Prepare a sales budget to be presented to the Board in their next sitting (13 Marks)

QUESTION SIX

- a. Explain with examples the concept of variance analysis (5 marks)
- b. The following are the standard and actual output; standard cost and actual data for a certain product made by Tip Company for the year 2012.

	Standards		Actual	
Output	4,000 cartons		3,600 cartons	
Input	Cost data per unit of a product		Total cost data	
		ush	Units	Ush '000'
Direct Materials	2units of alpha @ 1000=	2,000	7,400 units of Alpha	6,660
	4 units Beta @ 500=	2,000	14,500 units of Beta	7,540
Direct labour	4 hours of Dpt x @500=	2,000	14,250 hrs in Dpt X	7,837.5
Variable overhead		1,200		5,130
Fixed overhead		800		2,800
Totals		8,000		29,967.5

Required:

Calculate the following variances:

(11 marks)

- i. Direct material cost variances (price, quantity)
- ii. Direct labour cost variances (rate and efficiency)

- iii. Variable overhead variances (expenditure and efficiency)
- iv. Fixed overhead cost variance (expenditure and volume)

c. Discuss any four causes of adverse material variances.

(4 marks)

QUESTION SEVEN

a) Describe and five assumptions underlying cost-volume-profit analysis (5 marks)

- b) Students of Uganda Martyrs University students' Union (UMUSU) came up with an idea of acquiring a Coaster bus that can help them in generating funds to finance their operations. They carried out a feasibility study to analyze the viability of their investment basing on number of trips to be made by the Coaster bus (vehicle) and found the following:

	Cost per trip (UGX)
Fuel	5000
Gate fee	1000
Oil	1500
UTODA fee	2500
Fixed depreciation cost	<u>2000</u>
Total standard cost per trip	<u>12000</u>

They anticipated to incur the following costs per month, which are not related to the number of trips

	(UGX)
Road license	500,000
Parking fee	200,000
Service fee	150,000
Administrative costs	250,000
Fixed depreciation costs	100,000

The depreciation costs are fixed and based on the budgeted level of 50 trips for a month. The students target to earn the revenue of 18,000/= per trip (i.e to and from)

Required:

- (i) Determine the number of trips and the amount of money required to break-even (6 marks)
- (ii) Determine the margin of safety in shillings and in trips. (2 marks)
- (ii) Is the budgeted level of 50 trips appropriate? Explain (4 marks)
- (iii) If the Union targets profit after tax of 200,000= . The tax rate is 30%. Advise on the number of trips and the amount of money that could be made to realize that profit (4 marks)
- (iv) Comment on your results (4 marks)

GOOD LUCK