UGANDA MARTYRS UNIVERSITY NKOZI AND LUBAGA CAMPUSES

FACULTY OF BUSINESS AND MANAGEMENT

DEPARTMENT OF ACCOUNTING AND FINANCE

YEAR III SEMESTER I EXAMINATIONS 2023/2024

BAM III, BSC ACC & FIN III

COURSE NAME: MANAGEMENT ACCOUNTING

COURSE CODE: 3104

Date: Tuesday 19th December 2023

Time: 3 Hours (9:30am – 12:30pm)

INSTRUCTIONS:

1. Time allowed: **3 hours**
2. The Examination paper consists of six Questions
3. Attempt any **four** questions.
4. All questions carry equal marks.
5. Your work must be neat and show all relevant workings

Question One

a) Owino who finished his degree in Social Sciences at Uganda Martyrs University and has been offered a General Manager position at Mukono manufacturing company. In a bid to cut on operating costs, he wonders why the company employs two accountants; Management Accountant and Financial Accountant.
   As a Management Accountant you visited his office to present a brief on the budget figures for the new year, justify why the two job roles are different and necessary for Mukono Industries. 15 marks

b) You have been appointed an Administrator of a newly opened For Profit Hospital in Kampala. Discuss how you would apply balanced score card as a performance evaluation tool to guide management in decision making.10 marks

Question Two

Pulse Agro- Innovation and Development (PAID) Company Limited manufactures and sells a single product. The company's sales and expenses for last month were:

	Total	Per Unit	Percentage
Sales	$500,000	$25	100%
Less: Variable expenses	200,000	10	40%
Contribution Margin	300,000	15	60%
Less: Fixed expenses	270,000		
Net Income	$30,000		

Required:

a) Calculate the monthly break-even point in units sold and in sales dollars.

   i. using the equation method **(4 marks)**

   ii. using the contribution margin method **(4 marks)**

b) How many units would have to be sold each month to earn a minimum target net income of $60,000? **(4 marks)**

c) Verify the answer by preparing a contribution income statement at the target level of sales. **(5 marks)**

d) Refer to the original data above. Compute the company's margin of safety in both sales and percentage. **(8 marks)**

Question Three

A company manufactures two products, Milo and 'This way chocolate drink' (DWCD). Standard cost data for the products for next year are as follows:

	Product Milo Per Unit	Product DWCD per unit
Direct material:		
X at Shs.2 per kg	24 kg	30 kg
Y at Shs.5 per kg	10 kg	8 kg
Z at Shs.6 per kg	5 kg	10 kg
Direct wages:		
Unskilled at Shs.6 per hour	10 hours	5 hours
Skilled at Shs.10 per hour	6 hours	5 hours

Budgeted inventories for next year are as follows:

	Product Milo units	Product DWCD units
1 January	400	800
31 December	500	1,100

	Material X kg	Material y kg	Material z kg
1 January	30,000	25,000	12,000
31 December	35,000	27,000	12,500

Budgeted sales for next year: product Milo 2,400 units; product DWCD 3,200 units. You are required to prepare the following budgets for next year:

a) Production budget, in units;

b) Material usage budget, in kilos;

c) Material purchases budget, in kilos and Shs;

d) Direct labour budget, in hours and Shs.

Question Four

a) With an Illustration, explain the meaning of Break Even Point. 7 Marks
b) What assumptions would you consider necessary for Cost Volume Profit Analysis 5 Marks
c) Given the following information in the table below.

OUTPUT	COSTS (shs)
1	14,000,000
2	17,000,000
3	15,000,000
4	23,000,000
5	18,000,000
6	22,000,000
7	31,000,000

REQUIRED

Calculate the coefficients in the linear cost function Y= a+ bx using a method of least squares and accordingly determine

I. Fixed Costs 6 Marks
II. Variable Costs per unit 7 Marks

Question Five

The Kitoko Company Limited produces two distinct kinds of plastic goods (X and Y), and it has settled on the ABC system as its production method. The management team has come to the conclusion that all overhead expenditures only have three cost drivers, often known as activities.

i. Direct labor hours equal to 1,000

ii. Machine hours equal to 250

iii. Number of purchase orders equal to 100

During a given period, the following were the demand of each cost pool per product.

Cost pool	Product X	Product Y
Direct Labour hours	400	600
Machine hours	100	150
Purchase orders	50	50

The company's cost data is as follows:

General Ledger	
Payroll taxes	1,000,000
Machine maintenance	500,000
Purchasing Dept. labor	4,000,000
Overtime allowance	2,000,000
Purchasing Dept. Supplies	250,000
Equipment depreciation	750,000
Electricity	1,250,000
Unemployment insurance	1,500,000

Assuming that the company produced 100 units of X and 200 units of Y during the above period

Required: determine the cost per unit of each using ABC **(15 marks)**

b) When is the Most Appropriate Time to Utilize Activity Based Costing system? **(10 marks)**

Question Six

a) Short-term business decision-making entails making choices that have an immediate influence on a company's operations and financial status. Explain the type of short-term decision making that determines the ideal production level to reduce costs while meeting urgent demand.

b) KKK Company Ltd. Manufactures 50,000 units of a product with the following cost break up:

Cost Per Unit (USD)	
Direct material cost	50,000
Direct wages	30,000
Direct expenses	15,000
Other variable costs	25,000
Fixed costs	40,000
Total cost	**60,000**

The product with the same specification is available in the market at a price of UGX. 140,000,000

I. Would you make to buy the component?

II. What would be your decision if the supplier offer to sell the product at a price of (a) UGX.110,000; and (b) USD.120,000.

Question Seven

A company makes a single product with the selling price of Shs.20,000 and unit variable cost of Shs.12,000. Fixed costs incurred include production costs of Shs.40, 000,000 and administration costs amounting to Shs 20,000,000.

a) Calculate the number of units to break-even **5Marks**
b) Contribution sales ratio **5Marks**
c) Sales at break-even point **5Marks**
d) How many units need to be sold in order to earn a profit of 100M? **5 Marks**
e) Calculate the total profit or loss the company would make if it sells 10,000 units **5 Marks**

THE END