

UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT

MANAGEMENT ACCOUNTING

Examination

2015 – 2016

END OF QUARTER EXAM

Plus

BAM III

Date: 23RD November, 2015

Time: 6.00 to 9.00 pm

INSTRUCTIONS:

1. Attempt any Four (4) questions;
2. Each question carries 25 Marks;
3. Be tidy and show all the necessary workings.

24-11-2015

Question 1

You have been hired by Uganda Martyrs University as a management accountant. The chief financing officer is not sure whether it was necessary to employ you. He requests you for an explanation on the following:

- Five reasons why the university needs your services as a management accountant. (15 marks)
- Five tasks that you will perform as a management accountant (10 marks)

Question 2

- Distinguish between fixed and flexible budgeting (4 marks)
- Explain precisely the challenges of budgeting and budgetary controls, especially in developing countries. (8 marks)
- The following flexible budgets were prepared for a given production season:

	Activity Levels		
	60%	70%	80%
Direct Materials (ugx)	42,000,000	49,000,000	56,000,000
Direct Labour (ugx)	30,000,000	35,000,000	40,000,000
Production Overheads(ugx)	20,000,000	22,000,000	24,000,000
Administrative Overheads(ugx)	29,700,000	29,700,000	29,700,000
Total Costs (ugx)	121,700,000	135,700,000	149,700,000

According to the market survey, it has been established that the demand for the products would be equivalent to 78% of the production capacity. The production capacity of the entire establishment is 10,000 units per season. The selling price per unit is Shs.15,000=

Required:

Prepare a budget flexed at 78% of the production capacity (13 marks)

Question 2

- Distinguish between a sales mix and a weighted contribution ratio (6 marks)

- Mwowa Company produces and sells furniture. The company has provided you with the following:

Products	Table	Chair	Bench
Sales mix	2	4	4
Selling price (ushs)	30,000	25,000	16,000
Variable costs (ushs)	18,000	15,000	10,000
Units produced and sold	400	200	300

Fixed costs for the period for all the products: ushs 60,000,000

You are required to compute:

- (i) The break- even point in units and in shillings (6 marks)
- (ii) The company's net profit / loss (4 marks)
- (iii) The number of tables, chairs and benches should be sold to achieve a target net profit of ush.80,000,000 (5 marks)
- (iv) Comment on the contribution margins of the three products (4 marks)

Question 3

a) Rwabuhinga, the Manager of Kapaale and Sons Enterprises, has a decision to make for the year 2014. He has to choose on whether to use production method A or B in the manufacture of galvanized sheets. On checking the base data, Rwabuhinga got the following cost figures:

	Method A		Method B	
	Costs Last Year	Expected costs next year	Costs Last Year	Expected costs next year
	Sh	Sh	Sh	Sh
Fixed Costs	5,000	7,000	5000	7,000
Variable Costs per unit:				
Labour	2	6	4	12
Materials	12	8	15	10

Required:

Based on the above information, explain four attributes of relevant cost and state which method of production should be selected by Rwabuhinga? (10 marks)

b) Mukulu Ltd produces a single product and has budgeted for the production of 200,000 units during the next quarter. The cost estimates for the quarter are as follows:

	Cost per unit (UGX)
Direct materials	4.5
Direct labour	8.0
Variable overheads	3.5
Fixed overheads	<u>4.0</u>
	<u>20.0</u>

The company has received orders for 160,000 units during the coming period at the generally accepted market price of UGX.25 per unit. It appears unlikely that orders will be received for the remaining 40,000 units at a selling price of UGX.25 per unit, but Mr. Winner is prepared to buy them at a selling price of UGX.17 per unit.

Mukulu Ltd normally employs workers who are permanently employed.

Required:

- i. Should the company accept Mr. Winner's offer? (10 marks)
- ii. Analyze qualitative factors that may be considered before the decision is taken. (5 marks)

Question 4

- a) Activity Based Costing is a new costing system that has been designed and developed by management accounting gurus to overcome the limitations of traditional costing system of absorbing overheads to products and cost units in manufacturing entities. Discuss the advantages of ABC system over the traditional costing system. [6 Marks]
- b) Explain the steps in implementing Activity Based Costing in an organisation that you are familiar with. [4 Marks]