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**GABA CAMPUS – ELDORET**  
**MAIN EXAMINATION**  
**SEPTEMBER – DECEMBER 2022 TRIMESTER**  
**SCHOOL OF BUSINESS**  
**BACHELOR OF COMMERCE**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**CAC 311: INTRODUCTION TO MANAGEMENT ACCOUNTING**

<b>Date:</b> December 2022	<b>Duration:</b> 2 Hours
<b>Instructions:</b> Answer Question ONE and any other TWO Questions	

**QUESTION ONE**

a) Discuss the assumptions of CVP analysis. **(5 Marks)**

b) Describe and comment briefly the types of cost classification

**(10 Marks)**

ABC produces and sells a special unit. The following information is provided for the year 2020.

Production	10,000 units
Sales	7,500 units
Production cost	
Direct material in shs	1,100,000
Direct labour shs	280,000
Variable overheads shs	220,000
Fixed overheads shs	420,000
Selling and Administration	
Sales commission (variable shs)	120,000
General variable expenses shs	75,000
Fixed overheads shs	110,000
The company sells each unit at shs	350

**Required:**

Profit and loss account on the basis of :

- i) Absorption costing **(7.5 Marks)**
- ii) Marginal costing **(7.5 Marks)**

**QUESTION TWO**

- a) Apart of cash ,master ,capital and functional budgets explain any other budgets that you are aware of . (10 Marks)
- b) A company makes three products as follows

<b>PRODUCT</b>	<b>A</b>	<b>B</b>	<b>C</b>
	SHS	SHS	SHS
SALES	3,0000	48,000	43,000
TOTAL COST	<u>34,000</u>	<u>36,000</u>	<u>33000</u>
PROFIT /LOSS	( 4,000)	12,000	10,000

Two thirds of cost is variable cost and one third is fixed cost

The directors believe product A should be dropped. Do you agree? What other factors should be considered? **(10 Marks)**

**QUESTION THREE**

- a) Describe the limitation of break even and profit chart . **(10 Marks)**
- b) The information given below is in the respect of the proposed budget for M Ltd for six months ended 31/12/2022

<b>Month</b>	<b>Sales in (shs)</b>	<b>Purchases in(shs)</b>	<b>Production over head</b>	<b>Wages</b>	<b>Administration</b>
July	35,000	11,000	3,500	2,000	3,400
August	45,000	8,000	4,000	2,500	1,500
September	50,000	7,500	3,000	1,500	1,000
October	25,000	9,000	2,200	1,000	900
November	35,000	7,000	2,500	1,200	2,300
December	36,000	11,500	1,400	800	2,200

### **Additional information**

- i) Excepted cash balance on hand on 1.7/22 is khs20,000
- ii) Purchases are paid for one month after the supply
- iii) Depreciation expenses is expected to be 1% of sales
- iv) 50% sales are in cash 40% received the following month and balance one month later
- v) Assets to be acquired in the month of August and October at shs 4,000 are shs 3,000 respectively
- vi) The company is expected to received shs6,000 loan in November
- vii) The company will pay a dividend of Shs2,000 in December.
- viii) Sales commission of 2% equivalent of sales is paid to salesman each month
- ix) Wages, production and administration overhead are paid one month after they are incurred

### **Required:**

A Cash budget for period ending 31/12/2022 **(10 Marks)**

### **QUESTION FOUR**

- a) Outline in details the difference between financial and management accounting .  
**(10 Marks)**
- b) Budget making is very easy to make for it does follow any process. Discuss  
**( 10 Marks)**

**\*END\***