



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

**A. M. E. C. E. A**

**MAIN EXAMINATION**

**MAY - JULY 2016 TRIMESTER**

**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**REGULAR PROGRAMME**

**SDS 408: FINANCIAL ACCOUNTING TECHNIQUES**

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**Date: JULY 2016**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions**

- Q1. a) The following information is available from the books of Baraka Ltd for the month of April 2014

	Shs '000'
Stocks on 1 April 2014	
Raw materials	580
Finished goods	410
Work in progress	350
Stock on 31 April 2014	
Raw materials	690
Finished goods	320
Work in progress	530
Purchases of raw materials	4,200
Returns of raw materials	120
Carriage inwards	90
Carriage outward	150
Direct labour	870
Salaries	240
Packaging costs	280
Stationery	140
Factory power	210
Delivery costs	180
Rent	180

Sales	9,600
Sales returns	490

Additional information

- i Salaries are to be apportioned to factory, administration and selling in the ratio 1:2:3
- ii Apportion rent to factory administration and selling in the ratio 1:2:1
- iii Prepaid direct labour amount to shs 70,000

Required

- i Prepare a cost statement **(8 marks)**
  - ii Prepare a profit statement **(6 marks)**
- b) Explain cost classification according to function. **(10 marks)**
- c) Distinguish between financial accounting and management accounting. **(6 marks)**
- Q2. a) Mr. Ali has three decision alternatives each of which can be followed by any of the three possible events. The conditional pay offs (in shs) for each action event combination are given below

Alternative	States of nature		
	S1	S2	S3
X	1,800,000	240,000	310,000
Y	120,000	970,000	1,750,000
Z	2,600,000	-700,000	-220,000

Required

Determine which alternative should be chosen if the following methods are adopted

- i Maximax criterion **(3 marks)**
- ii Maximin criterion **(4 marks)**
- iii Laplace criterion **(3 marks)**
- iv Hurwicz criterion **(4 marks)**

NB The coefficient of pessimism is 0.25

- b) Briefly explain the importance of break even analysis. **(6 marks)**

- Q3. a) Amka Ltd produces two products B and B2. The two types of materials used to manufacture these products are X and Y. The following information is available for the month of Many 2015

Budgeted sales		
Product	Quantity	Price (sh)
B1	620,000	370
B2	840,000	195

Material	Unit cost	Quantity used	
		Product B1	Product B2
X	24	1	4
Y	35	2	3

Stock units	Opening stock	Closing stock
Material X	3,700	5,200
Material Y	2,100	3,400
Product B1	4,200	1,950
Product B2	5,400	2,600

Direct labour cost per hour is sh 150. 1 unit product B1 requires 3 hours while 1 unit of product B2 requires 4 hours

Requires to prepare

- i Sales budget **(2 marks)**
  - ii Production budget **(3 marks)**
  - iii Direct materials usage budget **(3 marks)**
  - iv Direct materials purchase budget **(4 marks)**
  - v Direct labour budget **(3 marks)**
- b) Briefly explain the conducting roles of a budget. **(5 marks)**

- Q4. a) Mamlaka Ltd manufactures a product whose fixed costs p.a are sh 5,400,000. The variable cost per unit is sh 430 while the selling price per unit is sh 610.

Required

- i Calculate the contribution **(2 marks)**
- ii Establish the break even point in units and shs. Of sales **(3 marks)**

- iii Calculate the profits if the following number of units are produced and sold
  - a) 200,000 units **(2 marks)**
  - b) 2,600,000 units **(2 marks)**
  - c) 25,000 units **(2 marks)**
  
- iv Calculate the number of units that should be produced and sold to earn the following
  - a) Sh 900,000 **(2 marks)**
  - b) Sh 2,100,000 **(2 marks)**
  - c) Sh 3, 600,000 **(2 marks)**
  
- b) Distinguish between a profit centre and a cost centre. **(3 marks)**
  
- Q5. a) Alpha Ltd purchased a machine at a cost of shs 15,000,000. The company uses the reducing balance method to estimate depreciation at a rate of 18% p.a. Calculate depreciation for the first eight years. **(8 marks)**
  
- b) Distinguish between the following
  - i Relevant costs and irrelevant costs **(4 marks)**
  - ii Income and expenditure account and receipts and payments accounts **(4 marks)**
  - iii Manufacturing costs and non-manufacturing costs. **(4 marks)**

**\*END\***