



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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

**MAIN EXAMINATION**

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**AUGUST – DECEMBER 2016 TRIMESTER**

**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**REGULAR PROGRAMME**

**SDS 408: FINANCIAL AND MANAGEMENT ACCOUNTING**

**Date: DECEMBER 2016**

**Duration: 2 Hours**

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

- Q1. a) Highlight four distinctions between management and financial accounting. **(8marks)**
- b) There are several ways of classifying costs, the way chosen being determined by the purpose, which is to be achieved. Describe four types of cost classification **(8marks)**
- c) Discuss three methods used for the absorption of factory overhead expenses as a charge to the products made, and explain the circumstances in which each might be most suitably applied. **(6marks)**
- d) Explain the following accounting concepts in brief
- (i) Accrual concept **(2marks)**
  - (ii) Going concern **(2marks)**
  - (iii) Prudence **(2marks)**
  - (iv) Materiality **(2marks)**
- Q2. The budget of a medium manufacturing company shows that for the following twelve months 40,000 units will be produced and sold at Shs 20 each. The budget production costs are;

	shs
i) Direct material cost	300,000
ii) Direct labor costs	200,000
iii) Variable overhead cost	100,000
iv) Fixed overhead cost	150,000

You are required to calculate:

- |  |                  |
|--|------------------|
| (i) The current contribution per unit  | <b>(5 marks)</b> |
| (ii) The contribution/sales ratio  | <b>(5 marks)</b> |
| (iii) The likely net profit if the sales volume is increased by 10%  | <b>(5 marks)</b> |
| (iv) The additional sales, in units, required to maintain the current profit if the selling price is reduced by 5% | <b>(5 marks)</b> |

Q3. On 1 January 2015 Windsor Club had the following assets:

Cash at bank	200
Snack bar stocks	800
Club house buildings	12500

During the year to 30 December 2015 the club received and paid the following amounts:

Receipts		payments	
Subscriptions 2015	3500	Rent and rates	1,500
Subscriptions 2016	380	Extension to club house	8,000
Snack bar income	6,000	Snack bar purchases	3,750
Visitors fees	650	Secretarial expenses	240
Loan from bank	5,500	Interest on loan	260
Competition fees	820	Snack bar expenses	600
		Games equipment	2,000

Additional information

- i) The snack bar stock on 31 December 2015 was 900
- ii) The games equipment should be depreciated by 20%

Required

- a) Prepare an income and expenditure account for the year ended 31 December 2015. **(12marks)**
  - b) Prepare a balance sheet as at 31 December 2015. **(8marks)**
- Q4.
- a) Highlight three reasons for preparing budgets **(6marks)**
  - b) Define the following terms
    - i. Direct material cost variance **(2marks)**
    - ii. Direct material price variance **(2marks)**
    - iii. Direct usage variance **(2marks)**
- c) The following trial balance was extracted from books of WATOTO WA NYUMBANI organization 30<sup>Th</sup> April 2016.

	Dr	Cr
	(SHS)	(SHS)
Sales/Purchases	11556	18600
Stock 1 <sup>ST</sup> may 2015	3776	
Carriage outwards	326	
Carriage inwards	234	
Returns inwards	440	
Returns outwards		355
Salaries and Wages	2447	

Motor expenses	2400	
Rent	576	
Sundry expense	1202	
Motor vehicles	2400	
Fixtures and Fitting	600	
Debtors/Creditors	4577	3045
Cash at bank	3876	
Cash at hand	120	
Drawing/Capital	<u>2050</u>	<u>12844</u>
	<u>34844</u>	<u>34844</u>

Additional information

- Stock at 30<sup>th</sup> April 2016 was 4998
- Depreciation is charged on motor vehicles at 4% on reducing balance method and at 10% on Fixtures and fitting per annum at cost.
- Rent accrued 30<sup>th</sup> April 2016 shs 84
- Salaries and wages owing as at 30<sup>th</sup> April 2016 shs456

Required:

prepare his trading and profit and loss account for the period ended 30<sup>th</sup> April 2016. **(8marks)**

**\*END\***