



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2022/2023 ACADEMIC YEAR  
SECOND YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS  
DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DBM 013**

**COURSE TITLE : FINANCIAL ACCOUNTING AND  
COSTING**

**DATE : 2<sup>ND</sup> DECEMBER, 2022                      TIME : 0830-1030**

**INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE** and any other **THREE** Questions

*This paper consists of 2 printed pages. Please turn over.*

### Question one

a) Explain any Four causes of variances in an organization ( 5 marks )

b) Highlight any FIVE differences between a public and a private company ( 5 marks )

c) Jack and Richard are in partnership as retail grocers. Their partnership agreement allows interest on capital at 1 January 2021 at the rate of 8% p.a. Jack is allowed an annual salary of Ksh.5,000 and Richard, who works part-time a salary of sh.3,000. Profits or Losses are shared equally. The following Trial Balance was extracted from their books on 31 December 2021.

#### Trial Balance as at 31 December 2021

	Dr.Shs.	Cr.Shs.
Capital 1 January 2021: Jack		90,000
Richard		45,000
Current Account 1 January 2021 Jack		150
Richard		70
Sales		120,000
Stock- 1 January 2021	2,500	
Purchases	104,780	
Premises	100,000	
Delivery Van	15,000	
Rates	1,500	
Van Expenses	950	
Insurance	360	
Cash at Bank	3,500	
Cash in Hand	60	
Creditors		1,170
Repairs to Premises	12,300	
Drawings: John	10,000	
Richard	5,000	
	<b>256,170</b>	<b>256,170</b>

#### Taking into consideration the following:

1. Stock 31 December 2021 Shs.4, 600
2. Insurance prepaid Shs 90
3. Depreciation of delivery van 10% of book value.
4. An extension costing Shs 10,000 had been posted as repairs to premises.

#### You are required to prepare:

- a) 'Trading and Profit and Loss Accounts, including the Appropriation section for the year ending 31 December 2021. ( 8 marks )
- b) Partners' Current Account for the year ending 31 December 2021. ( 3 marks )
- c) Statement of financial position as at 31 December 2021. ( 4 marks )

### Question Two

a) Mbomak limited manufacturer's farm implements. The following list of balances was extracted from the books of account of the company as at 31 December 2021

**Shs**

Inventory as at 1 January 2021

Raw materials	1,270,000
Work in progress	1,555,000
Finished goods	1,163,000
Purchase of raw materials	4,576,750
Carriage of raw materials	98,000
Direct labour	4,210,400
office salaries	1,670,950
Rent	260,000
Electricity (office)	221,000
Depreciation expense Machinery	510,000
Equipment (office)	115,000
Sales	15,931,100
Electricity (factory)	406,000

**Additional information;-**

1. Inventory as at 31 December 2021 was given as follows:-

	<b>Shs</b>
Raw materials	1,445,000
Work in progress	1,230,000
Finished goods	1,442,000

2. Rent is to be apportioned between the factory and office in the ratio of 3:1

3. Finished goods are transferred from factory to sales at mark up of 20%

4. The values of opening and closing inventory are given at the transfer price

**Required;-**

i) Manufacturing account for the year ended 31 December 2021 ( 10 marks)

b) Compare and contrast Cost Accounting and financial Accounting. (5marks)

**Question Three**

The following information relates to item P003 stocked by 2000 products Ltd for the month of April 2022:

Date	Receipts	Issues	Unit cost (Sh)
	Units	Units	
April 3	2,400		18
4		3,200	
6	2,600		20
12		2,700	
14	3,000		22
18	2,800		21
20		2,200	
22	2,600		23
25		3,800	
26	3,100		24
27	2,500		25
28	3,200		26
29		6,900	

The closing balance for March 2022 was a batch of 3,000 units received at a unit price of Sh 19.

**Required**

a) Stores perpetual inventory record for item P003 for May 2022 under FIFO system of stores issues. (10 marks)

a) Highlight any FIVE causes of differences in the actual balance and the book balance in an inventory system. (5 marks)

**QUESTION four**

a) The following data relate to Kenya Ltd for the year ended 31 December 2019.

	<b>Ksh</b>
Sales	24,000
Less: Total costs	20,000
Net profit	4,000

Fixed costs account for 40% of the total costs.

**Required:**

- i) Break-even point in sales (2 marks)
- ii) Margin of safety. (2 marks)
- iii) Sales required earning profit of Sh 6,000. (2 marks)
- iv) what will be the profit if the company decides to increase sales by 25% on incurring a sales promotion cost of ksh 2,500. ( 4 marks)

b) Explain the characteristics of an effective budget system ( 5 marks )

**Question five**

a) The production manager of XYZ Company, is concerned about the apparent fluctuation in efficiency and wants to determine how labour costs (in Sh.) are related to volume. The following data presents results of the 8 most recent weeks.

<b>Week No.</b>	<b>Units Produced(X)</b>	<b>Labour Costs(Y)</b>
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180

**Required:**

- i) Estimate the cost function using Regression analysis (  $Y = a + bx$  ) ( 8 marks )
- ii) Assume that the Company intends to produce, 55 units next period. Estimate the labour cost to be incurred. ( 4 marks )

b) Describe the following costs

- i. Dependent costs ( 1 mark)
- ii. Sunk costs ( 1 mark)
- iii. Avoidable costs ( 1 mark)

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