

KIBABII UNIVERSITY



**UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER
MAIN EXAMINATION**

**FOR THE DEGREE OF AGRICULTURAL ECONOMICS AND
RESOURCE MANAGEMENT**

COURSE CODE: IAE 286

**COURSE TITLE: INTRODUCTION TO MANAGERIAL ACCOUNTING AND
ECONOMICS**

DATE: 2ND AUGUST 2018

TIME: 2 PM - 4 PM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE and Any other **TWO (2)** Questions.

QUESTION ONE

- a). Explain the meaning of Management Accounting. (2 Marks)
- b). Explain five distinctions between financial Accounting and Managerial Accounting.
(5 Marks)
- c). Discuss on any seven attributes of good information. (5 Marks)
- d). What is the role of the management accountant in the management process?
(7 Marks)
- e). Describe the steps followed in a decision making process (8 Marks)
- f). State any THREE main environments within which decisions can be made.
(3 Marks)

QUESTION TWO

- a) Bosley Company limited is in the process of commencing manufacturing of new detergent to be introduced in the market. As an expert in management account advise the sales department on which price to be set as selling price for consideration assuming among the three prices of Sh 4, sh 4.30 and shs 4.40

Based on the information given in the table below. Using the following methods

- i) Maxi – max decision rule
- ii) Maxi – min decision rule
- iii) Laplace criterion of rationality rule using $\frac{1}{3}$ as the probability
- iv) Mini- max regret criterion rule

Alternatives:

Conditions	Sh.4.00	Sh.4.30	Sh.4.40
Best possible	16,000	14,000	12,500
Most likely	14,000	12,500	12,000
Worst possible	10,000	8,000	6,000

Fixed costs: = Sh.20,000

Variable cost per unit = Sh.2.00

(12 Marks)

- b) Assume in the above Bosley Company ltd price decision that the probability of the best possible outcome is 0.2, most likely outcome is 0.6 and the worst possible outcome is 0.2. Advice the company on the best price to set.

(8 Marks)

QUESTION THREE

ABC ltd has the following overhead costs.

	KSH	No. of cost drivers
Quality	90000	450 inspection
Process set up	135000	450 set ups
Purchasing	105000	1000 purchase orders
Customer order processing	120000	2000 customers
Occupancy costs	150000	75000 machine hours

ABC makes a standard product Glaze.

The cost details are as follows.

Unit material costs Sh0.50

Unit labor costs Sh0.40

Total production for the coming year 1000000 units

No. of production run 50

No. purchase order required 50

No. customer orders 10

Unit machine time 3 minutes

The product is inspected once at the end of each production run

Required: Calculate standard cost of Glaze.(20 Marks)

QUESTION FOUR

Write short notes on the following:

- a) Budget Limiting factor. - (5 Marks).
- b) General causes of cost variances. - (5 Marks).
- c) Budget Committee. - (5 Marks).
- d) Inventory holding costs. - (5 Marks)