



KIBABII UNIVERSITY

**UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR**

MAIN EXAMS

SECOND YEAR SECOND SEMESTER EXAMINATIONS

**FOR
BACHELOR OF COMMERCE**

COURSE CODE: BCA 221

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: 20-5-21 TIME: 2.00PM-4.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One and any Other Two Questions

SECTION A

QUESTION ONE [30Marks]

A manager at Kanduyi Millers Ltd has derived the following data on the weekly output of standard size boxes from a factory to be used to pack their flour after production.

| Week | Output(x) thousands | Total cost(y) thousands |
|------|---------------------|-------------------------|
| 1 | 20 | 60 |
| 2 | 2 | 25 |
| 3 | 4 | 26 |
| 4 | 23 | 66 |
| 5 | 18 | 49 |
| 6 | 14 | 48 |
| 7 | 10 | 35 |
| 8 | 8 | 18 |
| 9 | 13 | 40 |
| 10 | 8 | 33 |

- a) i) Plot a scatter diagram of the data(6mks)
ii) Which weekly outputs, if any, appear to be different from the rest of the data (1mk)
iii) State the co-ordinates of a point which must lie on a regression line fitted to the above data (2mks)
iv) Find the least squares regression of total cost on output, and plot the line on the graph.(2mks)
v) What is the fixed cost of the factory. (2mks)
vi) In a given week it is planned to produce 25000 standard size boxes. Use your regression equation to estimate the total cost of producing this quantity. (3mks)
- b) Explain the role of the Management Accountant in the management process(12mks)
- c) State the main users of accounting information(2mks)

SECTION B

QUESTION TWO [20Marks]

- a) Identify and explain four types of decision making environments (8mks)
- b) What are the key differences between management accounting and financial accounting? (5mks)
- c) What are the assumptions of Cost-Volume- Profit(C-V-P) analysis (7mks)

QUESTION THREE [20Marks]

- a) Identify the seven basic steps that are taken in any decision making process (14mks)
- b) Wafula who is a wholesaler has to supply his customer Mary with 40,000 units of a given product every year. Assume that demand is fixed and known. The cost of placing each order is shs.2.00 while the holding cost per unit is shs.1.00.

Required.

- i) Determine the optimum order size using the basic EOQ model(3mks)
- ii) Determine total costs incurred at optimum order size(3mks)

QUESTION FOUR [20Marks]

- a) Briefly describe the three risk attitudes that distinguish decision makers(6mks)
- b) Explain the importance of a budgetary control to a business firm (10mks)
- c) Discuss the disadvantages of participative style of budgeting (4mks)