

15



*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2019/2020 ACADEMIC YEAR**

**SECOND YEAR 2ND SEMESTER**  
**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURE**  
**ECONOMICS AND RESOURCE MANAGEMENT**

**COURSE CODE:** AEC 226/IAE 286.  
**COURSE TITLE:** INTRODUCTION TO MANAGERIAL ACCOUNTING


**DATE:** 12/02/2021. **TIME:** 8-10 AM.

---

**INSTRUCTIONS TO CANDIDATES**

Answer Question ONE and any other TWO Questions.

TIME: 2 Hours

This paper consists of 3 printed pages. Please Turn Over 

KIBU observes ZERO tolerance to examination cheating

**QUESTION ONE****(30 MARKS)**(a) Define the following terms. **(10 Marks)**

- (i) Cost Accounting
- (ii) Investment
- (iii) Performance Budgeting
- (iv) Standard costing
- (v) Break Even Point

(b) Discuss the nature and scope of management accounting. **(10 Marks)**(c) Outline five (5) way in which management can use standard costing techniques. **(10 Marks)****QUESTION TWO****(20 MARKS)**Discount Stores Ltd. provided the following budgeted figures. Prepare a three months Cash Budget up to June 30, 2019. **(20 Marks)**

Month	Sales	Purchases	Wages	Manufacturing Expenses	Administrative Expenses	Selling expenses
2018						
Nov.	30,000	15,000	3,000	1,150	1,060	500
Dec.	35,000	20,000	3,200	1,225	1,040	550
2019						
Jan.	25,000	15,000	2,500	990	1,100	600
Feb.	30,000	20,000	3,000	1,050	1,150	620
Mar.	35,000	22,500	2,400	1,100	1,220	570
Apr.	40,000	25,000	2,600	1,200	1,180	710

Additional information:

- i. Balance of cash in hand on 1st January, 2019 is KSh. 15,000
- ii. The customers are allowed a credit period of 2 months.
- iii. The creditors are allowing a credit period of 2 months
- iv. Wages are paid on the 1st of the next month.
- v. There is a Lag in payment of other expenses of one month
- vi. A dividend of KSh. 10,000 is payable in April.
- vii. Equipment for the Plant was purchased on 15th of January for KSh..5,000;
- viii. A building was purchased on 1st March and the payments are to be made in monthly instalments of KSh. 2,000 each.

**QUESTION THREE****(20 MARKS)**(a) What is Responsibility Accounting? **(2 Marks)**

(b) Explain the concept of

- (i) Transfer Pricing **(4 Marks)**
- (ii) Cost -Based transfer pricing ( **4 Marks**)

(c) Define and explain the different types of responsibility center **(10 Marks)**

**QUESTION FOUR****(20 MARKS)**

OKOA cement PLC manufactured 1980 kgs of cement in the month of April 2019. The budgeted and the actual consumption of raw material during the period was as shown in the table below.

Material	Std Quantity (tons)	Std Price per ton in US\$	Actual Quantity (tons)	Actual Price per Kg in US\$
Limestone	60	2.00	700	1.80
Clay	40	1.00	440	1.10
Sand	100	1.40	1120	1.30

From this standard matrix, 180Tons of product is expected.  
Actual Output produced is 1980Tons

- (a) Calculate the following direct material variances;
- Material Cost Variance
  - Material price Variance
  - Material Usage Variance
  - Material mix Variance
  - Material Yield Variance

**QUESTION FIVE****(20 MARKS)**

- Define Marginal Costing **(1 Mark)**
- What are the main Characteristics of marginal costing? **(5 Marks)**
- State the advantages and limitations of marginal costing as a tool in management accounting? **(14 Marks)**