



(Knowledge for Development)

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2021/2022 ACADEMIC YEAR**  
**SECOND YEAR SECOND SEMESTER**  
**MAIN EXAMINATION - EVENING**  
**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA 221**

**COURSE TITLE: MANAGEMENT ACCOUNTING**

**DATE: 23<sup>RD</sup> MAY, 2022**

**TIME: 9.00AM – 11.00AM**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30** marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

## SECTION A

### QUESTION ONE

- a) The following information relates to the output levels and corresponding overhead costs for Fox Ltd for the last four months

Month	Output level "000" units	Overhead cost Shs. "000"
January	100	17500
February	75	12500
March	95	18100
April	50	10000

Using the high-low method:

- i) Formulate the cost function for the above relationship (4mks)
  - ii) Estimate the total overhead costs associated with 120,000 units of output (2mks)
- b) Explain the three roles of the Management Accountant in the management process (6mks)
- c) Discuss the limitations of Cost-Volume-Profit (CVP) as a tool of short-term financial analysis (7mks)
- d) Identify and explain three types of decision making environments (6mks)
- e) Explain the five differences between financial accounting and management accounting (5mks)
- (Total 30MKS)**

## SECTION B

### QUESTION TWO (20MKS)

- a) Evaluate four major challenges that might be faced by a medium sized organization in applying budgetary control (8mks)
- b) Using suitable examples, discuss the following types of costs
- i) Fixed costs (3mks)
  - ii) Variable costs (3mks)
  - iii) Opportunity cost (3mks)
  - iv) Mixed cost (3mks)

### QUESTION THREE (20MKS)

- a) Giving examples in each case, explain the following terminologies (4mks)
- i) Sunk costs
  - ii) Relevant costs
- b) “ All avoidable costs are relevant costs” discuss (4mks)
- c) Briefly discuss three disadvantages of imposed budgets (6mks)
- d) Explain the good qualities of management accounting information (6mks)

### QUESTION FOUR (20MKS)

“Control theory offers valuable insights into the design and operation of management accounting information systems, but only under circumstances where an organizations’ environment is stable and predictable and outcomes are clearly measurable.”

#### Required:

Comment on the relevance of this statement within the analysis or established control theory systems within a business organization. **10 marks**

Comment on the validity of this statement within the analysis or established control theory systems *within a business organization* **10 marks**

### QUESTION FIVE(20MKS)

- 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)