



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
FOURTH YEAR SECOND SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 423

COURSE TITLE: ADVANCED MANAGEMENT ACCOUNTING

DATE: 25TH MAY, 2022

TIME: 2.00PM – 4.00PM

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 (30MKS)

- a) Outline and briefly explain the essential factors for continuous improvement under the kaizen principle and discuss the relevance to the modern day organizations. (5mks)
- b) Discuss the following techniques as used in the contemporary management accounting theory and assess their practical usefulness in modern organizations.
 - i) Target costing (5mks)
 - ii) JIT inventory policy (5mks)
- c) Explain any FIVE symptoms of business failure (5mks)
- d) Explain the use of cost behaviour in management accounting (5mks)
- e) Under what conditions is a cost controllable at a particular level of management? (5mks)

SECTION B

QUESTION TWO (20MKS)

- a) State and explain FOUR areas in corporate management where strategic management accounting can provide useful information (8mks)
- b) Discuss any FOUR contingent factors that play a role in the design of a management accounting system (12mks)

QUESTION THREE (20MKS)

Moffat Ltd commenced trading on 1 December 2005, supplies and fits tyres and exhaust pipes and services motor vehicles at thirty locations. The directors and middle management are based at the head office of Moffat Ltd. Each location has a manager who is responsible for day-to-day operations and is supported by an administrative assistant. All other staff at each location is involved in fitting and services operations.

The directors of Moffat Ltd are currently preparing a financial evaluation of an investment of Shs. 20 Million in a new IT system for submission to their bank. They are concerned that sub-optimal decisions are being made because the current system does not provide appropriate information throughout the organization. They are also aware that not all of the benefits from the proposed investment will be quantitative in nature.

Required:

- a) Explain the characteristics of three types of information required to assist in decision-making at different levels of management and on differing timescales within Moffat Ltd, providing two examples of information that would be appropriate to each level (10mks)
- b) Identify and explain three approaches that the directors of Moffat Ltd might apply in assessing the qualitative benefits of the proposed investment in a new IT system. (6mks)
- c) Identify two qualitative benefits that might arise as a consequence of the investment in a new IT system and explain how you would attempt to assess them. (4mks)

QUESTION FOUR (20MKS)

- a) Explain the pertinent issues in balanced scorecard highlighting the practical benefits and potential challenges that an organization is likely to encounter in using this appraisal tool. (7mks)
- b) State and explain the challenges faced in international transfer pricing (5mks)
- c) The Nairobi Metropolitan College (NMC) and the Millennium College of Business (MCB) are government funded institutions which are managed by the Ministry of Higher Education. The following information is available for the year ended 31st May 2010.

College	NMC(Actual)	MCB(Budget)	MCB(Actual)
Total registered students	25,000	26,500	30,000
Number of students waiting for 2 weeks for admission after applying	4,500	4,100	3,000
Number of students waiting for 3 weeks for admission after applying	2,100	2,500	1,200
Number of days after opening date before lectures start	3	1	1
% of lectures that materialize within the first week of a semester	60%	100%	90%
Duration for processing exams and release of results(in weeks)	4	4	5
% of lecturers with PHD	40%	100%	70%

Number of staff training programmes undertaken in the year	2	4	2
The degree of utilization of e-learning platform among lecturers	60%	100%	80%
Number of papers published by the teaching staff in the year	15	40	22
Number of complaints received from students	203	0	56
Number of complaints responded to within 5 days	50	All	40
Customer satisfaction index	70%	99%	93%
Number of staff shortages	8	5	7
Staff productivity measure(% of students graduating per cohort)	84%	100%	92%
Revenue from fees(Kshs. millions)	154.2	255.2	260.2
Lecturing staff costs(Kshs. millions)	42.3	82.2	99.6
Other staff costs (Kshs. millions)	25.5	45.5	54.0
Income and expenditure surplus margin (13%)	0	0	24%
Number of days cash in hand	37	30	35

Additional information:

1. Both institutions were in operation for 365 days during the year
2. The Ministry of Higher Education uses a “balanced scorecard” approach in order to assess the performance of each institution. Their balanced score card has 4 dimensions which are as follows:
 - i) Financial perspective (2mks)
 - ii) Internal business processes (2mks)
 - iii) Customer perspective (2mks)
 - iv) Learning and growth (2mks)

Required:

Prepare a report to the Ministry of Higher Education which critically assesses, on the basis of the above information, the performance of Millennium College of Business (MCB) which is currently under review. You should use the four dimensions to perform your assessment as per note (2) above. (8mks)

QUESTION FIVE (20MKS)

- a) A mixed economy operates a range of public services including fire, police, education and health. The services are provided on a regional basis but are funded from central government taxation. The government is endeavoring to improve the 'overall performance' of the services and is considering a range of issues surrounding this objective.
- i) Explain the particular problems that are likely to occur in attempting to monitor the performance of a public service that would not arise when assessing private sector activities (6mks)
- ii) Suggest ways in which the problems that you have highlighted in (i) above may be managed or overcome (4mks)
- b) You are responsible for managing the preparation of all revenue and cost budgets for a motor component manufacturer. You are aware that the external environment has a significant impact on the business activity and financial performance of your company and that the current information systems are underdeveloped and ineffective in this respect. Identify where you might find the relevant external sources of information. (10mks)