



*(Knowledge for Development)*

**UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**FIRST YEAR SECOND SEMESTER**

**SPECIAL/SUPPLEMENTARY EXAMINATION**

**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DAB 104**

**COURSE TITLE: MANAGEMENT ACCOUNTING**

**DATE:** 19/10/2018

**TIME:** 8:00 AM

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBUCO observes ZERO tolerance to examination cheating

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## SECTION A

### QUESTION ONE

A manager at Nzoia sugar company has derived the following data on the weekly output of standard sizes boxes from a factory.

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) Plot a scatter diagram of the data. (6mks)
- b) Which weekly outputs, if any, appear to be different from the rest of the data (1mk)
- c) State the co-ordinates of a point which must lie on a regression line fitted to the above data.(2mks)
- d) Find the least squares regression of total cost on output, and plot the line on the graph.(2mks)
- e) What is the fixed cost of the factory (2mks)
- f) 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)
- g) Briefly explain the four types of decision making environments (8mks)
- h) With the aid of a well labelled diagram describe the risk attitudes that distinguishes different decision makers (6mks)

**SECTION B (CHOOSE ANY TWO QUESTIONS)**

**QUESTION TWO**

With the aid of a well labeled diagram describe the seven steps that a manager goes through in the decision making process (20mks)

**QUESTION THREE**

- a) Explain the term budgetary control and state its importance to a business firm. (10 mks)
- b) State and briefly explain the limitations of budgets in the management of business firms(10 mks)

**QUESTION FOUR**

- a) Outline the assumptions of EOQ model used in inventory management (5mks)
- b) ABC Ltd has an aggregate demand of 1.2 million units. Each time they place an order there is an ordering cost of shs.1000, holding cost is shs.100 per unit. Determine
  - i) EOQ
  - ii) Number of orders to be made based on EOQ
  - iii) Total cost of stocks based on EOQ (15mks)