



(Knowledge for Development)

# **KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER**

**SPECIAL/SUPPLEMENTARY EXAMS**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA 221/BCA208**

**COURSE TITLE: MANAGEMENT ACCOUNTING**

**DATE: 29<sup>TH</sup> JULY, 2022**

**TIME: 2.00PM - 4.00PM**

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### **INSTRUCTIONS TO CANDIDATES**

Answer Question One and any other TWO (2) Questions

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) Explain the following situation in respect to cost concepts.  
Mary is a full time student in Kibabii University. She wants to decide whether she should attend at the University a four-week mathematics bridging course, where tuition is shs.2500 or take a break and work full time at a local supermarket, where she could make as much as shs.1500 a week.

Required :

How much attending would the mathematics bridging course cost him from a decision-making stand point? What is the opportunity cost? (4mks)

- b) Bungoma County Referral Hospital records show that the cost of carrying health checks in the last five accounting periods has been as follows:

Period	No. of patients seen	Total cost
1.	650	17,125
2.	940	17,800
3.	1260	18,650
4.	990	17,980
5.	1150	18,360

Required :

Estimate the cost of carrying out health checks on 850 patients using regression model.

- (12mks)
- c) Outline three roles of management accountants (6mks)
- d) Explain three advantages of benchmarking (6mks)
- e) Citing relevant examples, distinguish between joint product and by-products (2mks)

## SECTION B

### QUESTION TWO (20MKS)

- a) Maslahi Safari Ltd is a tour company that operates a fleet of more than 300 vehicles. The company has opened 10 branches in the county which are headed by branch managers. The performance of the manager of each branch is evaluated using financial measures. Many of the branch managers are not happy. They believe that there could be conflict between good performance and achieving short term profits. They are also unhappy that their profits reports include a share of head office costs and other costs that they cannot control.

Required :

- i) Discuss why non-financial performance measures are important in the service sector (4mks)

- ii) Propose with reasons, two non-financial performance measures that Maslahi Safaris Ltd could use to evaluate the performance of the branch managers (2mks)
- iii) Explain why and how, non-controllable costs should be shown on the profit reports (2mks)
- b) Explain three challenges that could be encountered when installing a Management Accounting Information System. (6mks)
- c) Evaluate three benefits of the balanced scorecard (6mks)

**QUESTION THREE (20MKS)**

- a) (i) Explain two advantages of management participation in budget setting (4mks)
- (ii) Describe two potential problems that might arise in the use of the resulting budget (a) (i) above as a control mechanism (4mks)
- b) Management accountants are required to conduct themselves ethically. A commitment to ethical professional practice requires observation of principles that express values and standards that guide conduct such as honesty, fairness, objectivity and responsibility.

Required :

With reference to the above statement, summarize six benefits of ethical behaviour by management accountants in business (12mks)

**QUESTION FOUR (20MKS)**

- a) Transfer prices are of critical importance in evaluating performance because they influence both revenues of the selling division and costs of the buying division. In reference to the above statement, explain five transfer pricing policies that could be adopted and their implications (10mks)
- b) Citing five reasons, explain the purpose of cost estimation. (10mks)

**QUESTION FIVE (20MKS)**

- a) Business organizations are required to factor in environmental concerns in their decision making. Describe four ways of aligning business operations with environmental issues (8mks)
- b) Briefly discuss three advantages of imposed budgets (6mks)
- c) Explain the three roles of the Management Accountant in the management process (6mks)