

(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR

SECOND YEAR 2ND SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL
ECONOMICS & RESOURCE MANAGEMENT

COURSE CODE: AEC 226/IAE 286

COURSE TITLE: INTRODUCTION TO MANAGERIAL
ACCOUNTING


DATE: 26TH JULY 2022

TIME: 11AM – 1 PM

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

- a) State the reasons why an organization may hold stock (3 Marks)
- b) State the key reasons of CVP analysis in decision making. (4 Marks)
- c) Outline the advantages of graphical method of cost estimation (4 Marks)
- d) Explain the significance of breakeven analysis in planning decisions. (3 Marks)
- e) Differentiate between sunk cost and opportunity cost. (4 Marks)
- f) Outline the limitations of management accounting. (3 Marks)
- g) Give sound reasons why it is necessary for a business concern to prepare a budget. (5 Marks)
- h) Outline four differences between management accounting and financial accounting. (4 Marks)

Question Two

MAKA Ltd requires 4000 units of a component in its manufacturing process in the coming year which costs shs 100 each. The items are available locally and the lead time is one week. Each order costs shs 70 to prepare and process while holding cost is shs 25 per unit per year for storage plus 10% opportunity cost of capital.

Required:

- i. What is the EOQ? (5 Marks)
- ii. What is the reorder level? (7 Marks)
- iii. How many orders will be placed per year.? (8 Marks)

Question Three

Given below are the maintenance costs incurred and the number of Labour hours employed by kaloleni farm ltd in between January and June 2016. The farm expects to use 3500 Labour hrs in July and 6000 Labour hrs. In august

Number of hours (000)	4	5	3	6	4	2
Repair costs (shs 000)	60	90	60	100	70	50

Required

- i. Using simple linear regression method, determine both the total fixed cost and the variable costs for the farm (10 Marks)

ii. Derive the cost estimation function for the farm

(5 Marks)

iii. Using the computation above determine estimated cost for July and August

(5 Marks)

Question Four

(5 Marks)

i. State the assumptions of breakeven analysis.

ii. Quick sale limited requires you as an expert to advice them concerning their business operations. The company provides you with the following data for the last quarter.

Fixed costs	shs 24,000
Variable cost per unit	shs 800
Selling price per unit	shs 1200
Units produced and sold	120 units

Required

(8 Marks)

a. Calculate breakeven point in shillings

(7 Marks)

b. Calculate breakeven point in units

Question Five

Assume that you are planning to sell badges at the forthcoming Nairobi show each at Shs.9. The badges cost Shs 5 to produce and you incur Shs 2000 to rent a booth in the showground.

Required:

(8 Marks)

a) Compute the break-even point in units and in sales.

(7 Marks)

b) Distinguish between ideal standards and attainable standards.

(5 Marks)

c) Outline any four advantages of standard costing.