



(*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: 1ST SEPTEMBER, 2022

TIME: 9.00AM - 11.00AM

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

SECTION A

QUESTION ONE (30MKS)

- a) Explain four main restraints to growth of public expenditure (8mks)
- b) Describe the first three steps of the decision making process (6mks)
- c) Examine three examples of business applications of linear programming (6mks)
- e) A manufacturer produces and sells two products, A and B. The unit variable cost is shs.12 and shs.8 for A and B respectively. A review of selling prices is in progress and it has been estimated that, for each product and increase in the selling price would result in a fall in demand of shs.500 units per every shs.1 increase in price and similarly a decrease of shs.1 in price would result in an increase in demand of 500 units.

The current sales prices and sales demand are:

	Price (shs)	Demand (units)
A	30	15,000
B	58	21,000

Required:

Calculate the profit-maximizing price for each product(10mks)

(Total 30mrks)

SECTION B

QUESTION TWO (20MKS)

- a) Discuss any two types of control systems in management accounting (10mks)
- b) Argue for and against the Just-In –Time (JIT) inventory system (10mks)

(Total 20mrks)

QUESTION THREE (20MKS)

- a) Some businesses which supply two or more separate markets from a single source may decide to charge a higher price for sales to home markets than for export sales. The businesses may justify their pricing policy by stating that they need to earn foreign exchange from foreign

markets and recover their research and development costs, plus production overheads against home demand.

Required:

- i) Critically examine four rationales for such a differential pricing policy (8mks)
- ii) Should earning of foreign exchange be a factor in a firm's pricing policy (2mks)
- b) Explain five assumptions of the Economic Order Quantity (EOQ) model (10mks)

(Total 20mrks)

QUESTION FOUR (20MKS)

a) In his study of : “ The impact of budget on people” C.Argyris reported the following comment by a financial controller on the practice of participation in setting budgets in his company:“ We bring in the supervisors of budget areas, we tell them that we want their frank opinion, but most of them just sit there and nod their heads. We know they are not coming out with exactly what they feel. I guess budget scares them.”

Required:

Managers may be reluctant to participate fully in setting budgets, indicating the negative side effects, which may arise from the imposition of budgets by senior management. Justify (10mks)

- b) Discuss four factors that influence the credit policy of a firm (10mks)

(Total 20mrks)

QUESTION FIVE (20MKS)

a) It is now fairly and widely accepted that conventional cost accounting, distorts management's view of business through unrepresentative overhead allocation and inappropriate product costing. This is because the traditional approach usually absorbs overhead costs across products solely on the basis of the direct labour involved in their manufacture. As direct labour cost expressed as a proportion of total manufacturing cost continues to fall, this leads to more distortion and misrepresentation of the impact of particular products on total overhead costs” (from Financial Times).

Required:

Briefly evaluate the above statement and devise the approaches being adopted by management accountants to overcome such criticism. (8mks)

b) Traditional budgeting systems are incremental in nature and tend to focus on cost centers. Activity based budgeting (ABB) links strategic planning to the overall performance measurement aimed at continuous improvement.

Required:

Describe two weaknesses of traditional incremental budgeting systems . (4mks)

c) Explain four main features of activity based budgeting system. (8mks)

(Total 20mrks)