(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

MAIN EXAM

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DAB104

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: 27TH JANUARY 2022   **TIME:** 9.00AM – 11.00AM

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 3 Printed Pages. Please Turn Over.

QUESTION ONE.

a) Explain the purpose of management accounting information (6 Marks)
b) Briefly Indicate the benefits of budgeting (6 Marks)
c) Highlight three main applications of Cost Volume Analysis (6 marks)
d) Based on the following information, find out the break-even point, the sales needed for a profit of ksh .6,00,000 and the profit if 4,00,000 units are sold at Sh.6 per unit.(12 marks)

> Units of output 5,00,000
> Fixed costs Sh.7,50,000
> Variable cost per unit Sh. 2
> Selling price per unit Sh. 5

(Total 30 Marks)

SECTION B

QUESTION TWO

a. Explain the duties of a management accountant in an organization. (8Marks)
b. Xyz Company produces 75,000 identical units of a product during period 1, whose costs are as follows:

Manufacturing costs:	Ksh	Ksh
Direct materials	400,000	
Direct labor	200,000	
Manufacturing overheads	200,000	800,000
Non- manufacturing costs	300,000	

If during period 1 the company sold 45,000 units only for Ksh 750,000 and there was no opening stock at the start of the period, what is the profit and loss statement for period (5Marks)

c. A tour company has fixed cost estimates costs of Ksh 60,000 a variable cost of Ksh 10for each ticket sold and a proposed ticket sale price of Ksh 20. Use the graphical methodto determine the break-even point

(1) Sales volume(2) Sales revenue   Total costs(4) Variable costs (4) Operating profit =
(q)   (20×q) (3){60,000 +(10×q)}(2) - (3)

(q)	(20×q)	(3){60,000+(10×q)}	Variable costs	Operating profit
1,000	20,000	70,000	10,000	-50,000
2,000	40,000	80,000	20,000	-40,000
3,000	60,000	90,000	30,000	-30,000
4,000	80,000	100,000	40,000	-20,000
5,000	100,000	110,000	50,000	-10,000
6,000	120,000	120,000	60,000	0
7,000	140,000	130,000	70,000	10,000
8,000	160,000	140,000	80,000	20,000
9,000	180,000	150,000	90,000	30,000
10,000	200,000	160,000	100,000	40,000

(7 Marks)
(Total 20 marks)

QUESTION THREE

Costs can be classified into different classes, explain the following costs

a. Pime Cost
b. Production Cost
c. Selling costs
d. Labour Cost   **(Total 20 marks)**

QUESTION FOUR

a. Describe seven advantages and five disadvantages of Break-even Analysis (12 marks)
b. Distinguish between variable and fixed costs   (4 Marks)
c. State and explain the four main information displayed by budgetary control(4 Marks)
                                                         (Total 20 Marks)

QUESTION FIVE

a. Discuss job order cost and process cost systems.   (8Marks)
b. From the following particulars, prepare a cost sheet for the year ending 31-12-2015.

Opening stock of raw materials (1-1-2015)	50,000
Purchases of raw materials	160,000
Closing stock of raw materials (31-12-2015)	80,000
Wages – Productive	150,000
General	20,000
Chargeable expenses	40,000
Rent, rates and taxes – Factory	10,000
Rent, rates and taxes – Office	1,000
Depreciation on plant and machinery	3,000
Salary – Office	5,000
Salary – Travellers	4,000
Printing and stationery	1,000
Office cleaning and lighting	800
Repairs and renewals (factory)	6,400
Other factory expenses	5,000
Management expenses (including managing Director's fees)	24,000
Travelling expenses of salesmen	2,200
Showroom expenses and samples	2,000
Carriage and freight – Outwards	2,000
Carriage and freight – Inwards	9,000
Octroi on purchases	1,000
Advertisement	30,000
Sales	460,000

Management expenses should be allocated in the ratio of 2:1:3 on factory, office and sales departments.   (12 Marks)
                                                         (Total 20 marks)