



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

MAIN EXAMS

FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

COURSE CODE: MBA 807

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: ~~1ST DECEMBER, 2021~~ ^{29TH NOVEMBER, 2021} **TIME: 9.00AM - 12NOON**

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE AND ANY OTHER THREE (3) QUESTIONS

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of Printed Pages. Please Turn Over.

READ THESE INSTRUCTIONS FIRST

- ✓ The number of marks is given in brackets [] at the end of each question or part question.
- ✓ Sketch maps and diagrams should be drawn whenever they serve to illustrate an answer

You are required to answer **Question ONE** which is compulsory and any other two questions

QUESTION ONE

(a) Distinguish between the following terms as used in management accounting

- (i) Period costs and product costs (3 Marks)
- (ii) Cost object and cost unit (3 Marks)
- (iii) Cost allocation and cost apportionment (3 Marks)

(b) Pambo Limited manufactures a single product which sells at Ksh. 2,660 per unit. The following are the costs per unit of the product:

	Ksh.
Direct materials	740
Direct labour	680
Variable overheads	590

The fixed overheads per annum amounted to Ksh. 8,255,000. The firm, which currently operates at 75% capacity, produces and sells 15,000 units per annum.

Calculate the:

- (i) break-even point in units
- (ii) break-even point in sales
- (iii) profit at the current production level
- (iv) profit for the year at full capacity
- (v) margin of safety
- (vi) the production level if the firm targets net income (after tax at 30%) of Ksh. 2,957,500

(12 Marks)

(c) The diversity of the business environment coupled with globalization has put corporate managers in a dilemma state. Explain the relevance of the management accountant in the management process of a corporation.

(9 Marks)

QUESTION TWO

The production manager of XYZ Company is concerned about the apparent fluctuation in efficiency and wants to determine how labour costs (in Sh.) are related to volume. The following data presents results of the 12 most recent weeks.

Week No.	Units Produced(X)	Labour Costs(Y)
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416
7	39	337

8	21	180
9	41	376
10	47	295
11	34	215
12	24	275

Required:

- (a) Estimate the cost function using:
 (i) The high low method (3 marks)
 (ii) Regression analysis (6 marks)
 (b) Assume that the Company intends to produce 45 units; 34 units next period Estimate the labour cost to be incurred. (4 marks)
 (c)) Discuss the role of budgetary control in an organization (7 Marks)

QUESTION THREE

Laki Limited is considering whether to manufacture components Q_A, Q_B, Q_C and Q_D internally or buy it outside. The expected costs for each component in the coming year have been estimated as follows:

	Component			
	Q _A	Q _B	Q _C	Q _D
Production (units)	2,400	3,050	2,800	2,500
Marginal cost per unit:	Kshs.	Kshs.	Kshs.	Kshs.
Direct materials	3	5	8	6
Direct labour	7	6	9	5
Variable costs	6	8	4	7

Directly attributable fixed costs were estimated as follows:

- Component: Q_A -Kshs. 6,500
 Q_B -Kshs. 8,000
 Q_C -Kshs. 7,500
 Q_D .Kshs. 6,000

Other committed fixed costs Kshs. 78,000

A subcontractor has offered to supply components Q_A, Q_B, Q_C and Q_D for Kshs.14, Kshs.23 Kshs.19 and Kshs.21 per unit respectively.

Required:

- (a) Advice the company whether to buy or make the components.
 (b) What other factors should the management consider in making the decisions in (a) above?
 (20 Marks)

QUESTION FOUR

Homa Ltd. manufactures a single product called Bay-02. The following data relates to the product for the months of August and September, 2016.

	<u>August</u>	<u>September</u>
Opening stock	-	3,500
Production (units)	19,000	13,000
Closing stock (units)	3,500	-

The financial data for an activity level of 16,000 units per month is as follows:

	<u>Ksh.</u>
Selling price per unit	120
Manufacturing costs:	
Direct material per unit	35
Direct labour per unit	15
Variable overheads per unit	10
Fixed costs per month	270,000
Selling and administration costs:	
- Variable per unit sold	8
- Fixed per month	100,000

Required:

- (a) Prepare, in columnar format, profit statements for each of the two months, August and September, 2016 using:
- (i) Absorption costing (8 M arks)
 - (ii) Marginal costing (8 Marks)
- (b) Reconcile and explain the difference in your results in (a) above. (5 Marks)

QUESTION FIVE

(a) Explain the assumptions of CVP cost volume profit analysis. (10marks)

(b) Poda Manufacturers produces three products R, S and T. The following information relates to the products for the last financial year.

	<u>Products</u>		
	R	S	T
	<u>Ksh.</u>	<u>Ksh.</u>	<u>Ksh.</u>
Sales	600,000	500,000	750,000
Variable costs	<u>350,000</u>	<u>280,000</u>	<u>408,000</u>
Contribution	250,000	220,000	342,000

Fixed costs	<u>190,000</u>	<u>260,000</u>	<u>285,000</u>
Profit (Loss)	<u>60,000</u>	<u>(40,000)</u>	<u>57,000</u>

The company is concerned with the poor performance and is considering stopping production of product S. Attributable fixed cost of Ksh. 93,000 is avoidable.

Required:

Advise the company on whether to stop production of product S. **(10 Marks)**