



(Knowledge for Development)

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2021/2022 ACADEMIC YEAR**  
**SECOND YEAR SECOND SEMESTER**  
**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA 221**

**COURSE TITLE: MANAGEMENT ACCOUNTING**

**DATE: 6<sup>TH</sup> 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

### QUESTION ONE [30Marks]

- a) Explain four types of decision making environments (8mks)
- b) Compare and contrast management accounting and financial accounting? (5mks)
- c) Explain the assumptions of Cost-Volume- Profit(C-V-P) analysis (7mks)
- d) Examine five roles of budgetary control in an organization (10mks)

## SECTION B

### QUESTION TWO [20Marks]

A manager at Kanduyi Millers Ltd has derived the following data on the weekly output of standard size boxes from a factory to be used to pack their flour after production.

Week	Output(x) thousands	Total cost(y) thousands
1	20	60
2	2	25
3	4	26
4	23	66
5	18	49
6	14	48
7	10	35
8	8	18
9	13	40
10	8	33

- a) i) Plot a scatter diagram of the data (6mks)
- ii) Which weekly outputs, if any, appear to be different from the rest of the data (1mk)
- iii) State the co-ordinates of a point which must lie on a regression line fitted to the above data (2mks)
- iv) Find the least squares regression of total cost on output, and plot the line on the graph. (2mks)

- v) What is the fixed cost of the factory. (2mks)
- vi) In a given week it is planned to produce 25000 standard size boxes. Use your regression equation to estimate the total cost of producing this quantity. (3mks)
- b) Explain two main users of accounting information (4mks)

### QUESTION THREE [20Marks]

- a) Describe seven basic steps that are taken in any decision making process (14mks)
- b) Wafula who is a wholesaler has to supply his customer Mary with 40,000 units of a given product every year. Assume that demand is fixed and known. The cost of placing each order is shs.2.00 while the holding cost per unit is shs.1.00.

Required.

- i) Determine the optimum order size using the basic EOQ model (3mks)
- ii) Determine total costs incurred at optimum order size (3mks)

### QUESTION FOUR [20Marks]

- a) Explain three risk attitudes that distinguish decision makers (6mks)
- b) Analyze the disadvantages of participative style of budgeting (4mks)
- c) Assess six roles of the Management Accountant in the management process (12mks)

### QUESTION FIVE [20Marks]

- a) Manufacturing overhead is applied based on budgeted direct labor hours. The direct labor budget indicates that 5,400 direct labor hours will be required during the year. The variable overhead rate is \$3.40 per direct labor hour. The company's budgeted fixed manufacturing overhead is \$85,050 per year, which includes depreciation of \$16,100. All other fixed manufacturing overhead costs represent current cash flows. Formulate the predetermined overhead rate: (10mks)
- b) Examine four benefits of costing for service industry companies (10mks)