



(Knowledge for Development)
KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE:DAB 104; COURSE TITLE: MANAGEMENT ACCOUNTING

DATE:20TH DECEMBER,2022

TIME:9.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

Question one

- a) Outline the purposes of information provided by management accounting to the management (5marks)
- b) Outline the difference between financial Accounting and Management accounting (5marks)
- c) Outline the steps of cost Estimation (5marks)
- d) Outline the assumptions of CVP analysis (5marks)
- e) Highlight the importance of budgeting (5marks)

QUESTION TWO

- a) Define margin of Safety (MOS) (2marks)
- b) Explain FOUR main differences between Absorption costing and Marginal costing (6marks)
- c) Bingwa Company produces two products P and Q and has provided the following information relating to product P and Q

	P	Q
Selling price per unit	10	12
Variable cost per unit	2	8
Fixed cost	50,000	34,000

Required

- i) Calculate the BEP of each product in units and in shillings (4marks)
- ii) Calculate the margin of safety of budgeted sales at 10,000 units each (4marks)
- iii) Compute the profit at each product if sales in units are 20% above the BEP (4marks)

QUESTION THREE

- a) Assume that the production manager of Nzoia sugar company is concerned about the current fluctuation in the efficiency and therefore want to determine how labour cost is related to volume. The result of the 12 most recent weeks are shown below

Week number	Number of units (x)	Labour cost (y)
1	34	340
2	44	346
3	31	287
4	36	262

5
6
7
8

30
49
39
21

220
416
337
180

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

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Required

- i) Establish a cost function using the linear regression Method (12 marks)
- ii) Assume that the number of units we expect to produce in the next period is 50. Estimate the labour cost to be incurred in that period. (2 mark)
- s) Explain three disadvantages of High- Low Method (6 marks)

Question four

- a) Lamu Limited has to choose which one of the two projects to undertake. The initial cost of investment for project X is shs 320,000 and project Y is shs 240,000. The cash flows of each project would be as follows:-

Year	Project X	Project Y
1	80,000	120,000
2	80,000	100,000
3	120,000	100,000
4	120,000	80,000
5	30,000	(20,000)

Required:

- Using NPV at a discount rate of 14% advise the investor on which project to invest in (10 marks)
- b) Highlight five disadvantages of using payback method in traditional method of Capital Budgeting (5 marks)

Question Five

- a) Highlight six assumptions of EOQ (6 marks)
- b) Explain three ways in which cost are classified (6 marks)
- c) A company uses 50,000 nuts per annum which are shs 10 each to purchase. The ordering and handling costs are shs 150 per order

and carrying costs are 15% of purchase price per annum.

Required:

- i) Calculate the EOQ
- ii) Annual Number of orders
- iii) Total Cost

(3 marks)

(3 marks)

(2 marks)