



UNIVERSITY EXAMINATION 2023/2024

FACULTY OF BUSINESS AND MANAGEMENT STUDIES

SCHOOL OF BUSINESS AND PUBLIC MANAGEMENT

DEPARTMENT OF ECONOMICS, FINANCE AND ACCOUNTING.

REGULAR

UNIT CODE: DAB 104

UNIT TITLE: MANAGEMENT ACCOUNTING

5<sup>th</sup>

DECEMBER 2023

MAIN EXAM

TIME: 3HRS 9-11am

ANSWER ALL QUESTIONS IN SECTION A, AND ANY OTHER THREE QUESTIONS IN SECTION B

**QUESTION ONE (30 Marks)**

- Discuss the role of management accounting in the management process? (5Marks)
- Describe the decision making process (5 Marks)
- Briefly Indicate the benefits of budgeting (6 Marks)
- State the three main application of Cost Volume Analysis (5 marks)
- Based on the following information, find out the break-even point, the sales needed for a profit of Rs.6,00,000 and the profit if 4,00,000 units are sold at Sh.6 per unit.(9 marks)

Units of output 500,000  
Fixed costs Sh.750,000  
Variable cost per unit Sh. 2  
Selling price per unit Sh. 5

**(Total 30 Marks)**

**QUESTION TWO (20 Marks)**

A standard set for material consumption was 100kg @ ksh2.25 per kg in a cost period;  
Opening stock 100kg @ ksh2.25 per kg.  
Purchase made 500kg @ ksh2.15 per kg.  
Consumption 110kg.

**Required:**

Calculate:

- a) Usage variance (3 Marks)
  - b) Price variance
    - i) When variance is calculated at point of purchase (3 Marks)
    - ii) When variance is calculated at point of issue on FIFO basis (3 Marks)
    - iii) When variance is calculated at point of issue on LIFO basis. (3 Marks)
  - c) What is the effect on closing stock valuation when materials are charged out to cost on the basis of ii) and iii) above? (8 marks)
- (Total 20 Marks)**

**QUESTION THREE (20 Marks)**

Gama engineering company limited manufactures two products x and y. an estimate of the number of units expected to be sold in the first seven months of 2021 is given below:

	Product X	Product Y
January	500	1400
February	600	1400
March	800	1200
April	1000	1000
May	1200	800
June	1200	800
July	1000	900

It is anticipated that:

- a) There will be no works in progress at the end of the month;
- b) Finished goods is equal to half the anticipated sales for the next month will be in stock at the end of each month (including December 2020).

The budgeted production and production costs for the year ending 31<sup>st</sup> December, 2021 are as follows;

	Product X	Product Y
Production (units)	11,000	12,000
Direct materials per unit (Ksh)	12	19
Direct wages per units (Ksh.)	5	7
Other manufacturing charges apportionable To each type of product (Kshs)	33,000	48,000

Required:

- a) Prepare a production budget showing the number of units to be manufactured each month; (8 Marks)
- b) Prepare a summarized production cost budget for the six months period- January to June 2021. (6 Marks).
- c) Describe at least three types of budgets you know. (6 Marks)

**(Total 20 Marks)**

**QUESTION FOUR (20 Marks)**

- a) Distinguish between cost accounting and management accounting. (7 Marks)

- b) Cost and Management accounting Information which are generated or collected are used by different stakeholders. The users of these information are broadly categorized into two explain. (13 Marks)

**(Total 20 Marks)**

**QUESTION FIVE (20 Marks)**

From the following information relating to Quick Standards ltd. You are required to find out:

- a) Contribution (3 Marks)  
b) Break-even point in units, (3 Marks)  
c) Margin of Safety (3 Marks)  
d) Profit (3 Marks)
- |                      |             |  |
|----------------------|-------------|--|
| Total Fixed Costs    | Shs. 4500   |  |
| Total Variable Costs | 7500        |  |
| Total sales          | 15000       |  |
| Units sold           | 5000 units. |  |
- e) Calculate the volume of sales to earn profit of KShs.6000. (3 Marks)  
f) Describe the nature of management accounting (5 Marks)

**(Total 20 Marks)**