



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY POSTGRADUATE EXAMINATION

2020/2021 ACADEMIC YEAR

**FIRST YEAR SECOND SEMESTER EXAMINATION FOR MASTERS IN
BUSINESS ADMINISTRATION (MBA)**

UNIT CODE: BCA 601

UNIT TITLE: MANAGEMENT ACCOUNTING

DURATION: 3 HOURS

Instructions to candidates:

1. Answer Any **Four** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

QUESTION ONE (25 MARKS)

- a) Explain THREE levels of management control, and in each case, bring out the characteristics of information required and the output from each of the levels. (9 marks)
- b) Using a suitable illustration, differentiate between decision making under risk from decision making under fundamental uncertainty. (6 marks)
- c) Corntel limited is a firm that trades in innovative communication devices. The firm is in the process of setting the selling price of one of its most recent innovations, product P. Three sets of prices are under consideration within their probable decision-making environments.

	Projected units of sale at corresponding prices			
	Probability	Sh. 400 per unit	Sh. 430 per unit	Sh. 440 per unit
Best case	0.2	12,000 units	12,220 units	10,000 units
Most probable	0.6	8,000 units	8,750 units	8,800 units
Worst case	0.2	800 units	500 units	0

Required.

You have been requested to assist management to settle on the price to adapt. Using a risk evaluation approach, quantify the risk element in each case. (10 marks)

QUESTION TWO (25 MARKS)

- a) Performance management is at the core of the now widely adopted labour contracting in both private and public organizations. Explain any FIVE benefits accruing to a firm that uses this approach to management. (10 marks)
- b) Maputo limited manufactures and sells one brand of hair accessories. The selling price of one dozen pieces is Sh. 50. The standard production cost is Sh. 42.80 per dozen as shown below.

Direct materials	Sh.
Material A – 3 pcs @ Sh. 400	12.00
Material B – 2 pcs @ Sh. 500	10.00
Direct labour – ½@Sh. 20	10.00
Overheads	
Variable	7.20
Fixed	<u>3.60</u>
	<u>42.80</u>

Additional information.

Factory overheads are allocated on the basis of machine hours at the rate of Sh. 12.00 per hour. During the last financial year, the company had budgeted to produce 72,000 dozen packets. However, material shortages limited the production to 64,000 dozen packets for which the following cost were incurred.

	Sh.
Material A – 194,000 pieces	780,800
Material B – 130,000 pieces	625,000
Direct labour	684,000
Variable overheads	384,000
Fixed overheads	250,000

The company utilized 60,000 machine hours.

Required:

Calculate;

- i. Material price and usage variances. (4 marks)
- ii. Labour rate and efficiency variances. (4 marks)
- iii. Variable overhead spending and efficiency variances. (4 marks)
- iv. Fixed overhead volume variables. (3 marks)

QUESTION THREE (25 MARKS)

- a) Explain FIVE reasons justifying the need for a consistent budgeting planning in an organization.
- b) Mark-Dee industries limited, a recently incorporated company plans to go into production. The following standard cost matrix has been assembled for one of the products it proposes to manufacture:

Cost per units

	Sh.
Direct materials	18.00
Direct labour	10.00
Variable factory overheads	8.00
Salaries	6.00
Rent	5.00
Depreciation	<u>3.00</u>
Total standard cost	50.00

The following information is available.

- 1) The company anticipates to manufacture and sell 198,000 units in the year 2022.
- 2) Sales in the second and fourth quarters of the year are expected to be twice those of the first and third quarters.
- 3) Direct materials are ordered and paid for a month in advance.
- 4) 20% of the company sales are in cash. 60% of the credit sales are collected in the month following the month of sales, and the balance the following month.
- 5) Expenses are settled in arrears at month end.
- 6) Overdraft facilities have been agreed at 30% per quarter, and the company's bank balance at 31/12/2021 is expected to be Sh. 50.000.
- 7) The product is expected to retail at sh. 80.00 per unit

Required:

- a) Budget profit and account for the first quarter. (7 marks)
- b) First quarters' sales collection schedule. (8 marks)

QUESTION FOUR (25 MARKS)

Performance measurement is an important activity for managers in Africa as it facilitates an entity to analyse performance against certain parameters deemed critical to the firm.

- a) Explain FIVE factors that influence the choice of a performance measurement method adopted by a firm. (10 marks)
- b) Explain FOUR types of benchmark activities that a firm can undertake. (4 marks)
- c) Using a suitable illustrate, explain the major drawbacks of benchmarking to the recipient firm. (3 marks)
- d) Explain FOUR perspectives of a balanced score card performance measure. (8 marks)

QUESTION FIVE (25 MARKS)

Management accounting and financial accounting are closely interrelated, yet they are quite distinct. Explain any SIX fundamental differences between the two disciplines. (12 marks)

The following cost data relates to Zed Bee limited, a company that produces and sells beauty products and accessories.

	Sh.
Employees' salaries	17,000
Rent	11,000
Depreciation an equipment	2,000
Variable costs	6,000
Overhead costs	24,000

Additional information:

- 1) All other costs except those indicated as variable are fixed.
- 2) The selling price per unit of output is Sh. 10.00.
- 3) The variable costs above relates to 6,000 units of output.

Required:

- i. Calculate the breakeven point. (6 marks)
- ii. Calculate the cash-flows break-even point. (7 marks)