



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT: COMMERCE

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

SEMESTER 1 YEAR 2 JAN – MAY 2016

PROGRAMME: DIPLOMA BUSINESS MANAGEMENT

EXAMINATION: ORDINARY

UNIT CODE: DAB 1212

UNIT NAME: MANAGEMENT ACCOUNTING

DATE: 18TH APRIL 2016

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

- Question **ONE (1)** is Compulsory
- Answer any other **TWO** Questions

QUESTION ONE

- (a) Highlight *FIVE* characteristics of management accounting. [5 marks]
- (b) A project requires initial investment of sh 85,000 and expected cash flow of sh 18000, sh 25 000 and 10,000 sh 25,000 sh30000 , for 5 years. The project has salvage value of sh 10,000. The company target of return is 10%. [5 marks]

Calculate profitability of the project using profitability index method. The company intend to invest sh 400,000
- (c) Explain *THREE* types of standards as using in standard costing. [3 marks]
- (d) Explain advantages of using break even analysis model to analyze costs and profile in a business [4 marks]
- (e) Describe the engineering cost estimation method in management accounting. Use examples to illustrate [5marks]
- (f) Item B cost sh 235 per ton. The monthly requirement is 5 tons and each time stock is replenished. Set up cost is sh1000. If carrying inventory is 10% value of stock per year. What is the optional order quantity [4 marks]
- (g) What are the benefits of using budgetary control [4 marks]

[Total 30 marks]

QUESTION TWO

- (a) Distinguish between financial and management accounting [10 marks]
- (b) Describe *FIVE* tools which may e used for effective management of account. [10 marks]

QUESTION THREE

- (a) Use scatter diagram to separate fixed and variable costs

	Production of products	Cost of products		Production	Cost of production
Period	X	Y	period	X	Y
1	400	960	6	240	640
2	240	880	7	160	560
3	80	480	8	480	1200
4	400	1200	9	320	880
5	320	800	10	160	40

[10 marks]

From the above information use high and low method to compete fixed and variable given that the manufacturer produces 500 units.

[10 marks]

- (b) Discuss importance of managements accounting tools be used for effective accounting.

[10 marks]

[Total 20 marks]

QUESTION FOUR

- (a) ACCA manufactures products C and D. The company uses materials A and B in the manufacture of these products for the 2007

The following information is also available

- (i) Budget sales

Product	Quantity	Price
C	10,000	sh 40
D	8,000	sh 30

(ii) Material used

Material used	sh	B
Unit cost of quantities used A	5	8
C	5	3
D	4	4

You are require to prepare

- (i) Sales budget. [4 marks]
 (ii) Production budget [3 marks]
 (iii) Materials usage budget. [3 marks]

[10 marks]

- (b) The following data on capital project is being evaluated by management

Yr	cash out flow	Cash in flows
	sh	sh
1	200,000	100,000
2	160,000	180,000
3	120,000	290,000
4	90,000	320,000
5	-	320,000

Calculate NPV and company rate of return is 10%

[10 marks]

[Total 20 marks]