



MURANG'A UNIVERSITY COLLEGE

(A constituent college of Jomo Kenyatta University of Agriculture and Technology)
SCHOOL OF BUSINESS AND ECONOMICS.

DEPARTMENT: COMMERCE

PROGRAMME: DIPLOMA IN BUSINESS MANAGEMENT

ORDINARY EXAM

UNIT NAME: MANAGEMENT ACCOUNTING

UNIT CODE: DAB 1212

DATE:

TIME: 2 HOURS

INSTRUCTIONS: ANSWER QUESTION *ONE* AND ANY OTHER *TWO* QUESTIONS.

QUESTION 1

- (a) Explain **FIVE** users of management accounting. (5 marks)
- (b) Briefly explain the engineering method of cost estimation in management accounting. (4 marks)
- (c) Explain limitations of break even chart. (4 marks)
- (d) What are the objectives of management accounting? (5 marks)
- (e) A project requires initial investment of sh.85000, sh 25000 and sh30, 000 for 5 years. The project has a salvage value of sh 10,000. The co. target of return is 10%. Calculate profitability of he project using profitability index method e A company intends to invest sh 4000,000. (5 marks)
- (f) Explain assumption of economic order quantity model. (4 marks)
- (g) Highlight **THREE** activities of standard costing. (4 marks)

QUESTION 2

- (a) Honey Bee ltd supplies you the following information on honey produced.

Fixed costs sh.600

Variable cost sh 1 per per unit

Proposed price sh 3

Estimated sales 400 @ sh 3 per unit

Required

- (i) Draw a break even chart and read from I final (4 marks)
- (ii) Number of units at break-even point. (4 marks)
- (iii) Profit at sales of 400 units. (2 marks)
- (b) Migori is an engineering industrial enterprise it. It manufactured 100 items of product EXE . Compute mate cost and price variances. (10 marks)

QUESTION 3

The demand of a product is 25 units per month and items are withdrawn uniformly. The set up costs for each time of products is sh 15. The inventory holding cost is sh0.30 per item per month

- (i) Determine how often to make produce run if shortages are not allowed. (3 marks)
- (ii) Determine often to make production run if shortages cost sh 1.50 per item per month (3 marks)
- (iii) Highlight **FIVE** objectives of capital budgeting programmers.

QUESTION 4

(a) From the following information.

(i) Draw a scatter diagram. Diagram. (3 marks)

(ii) Find total costs for units

(b) Variable costs (6 marks)

Find total costs for units (1 marks)

(Total marks 10 marks)

Unit of Production	Cost of Production
X	(Y)
400	960
240	880
80	480
400	1200
320	800
240	640
160	560
480	1200
320	880
160	440

(b) The cost of a given product is as follows

Output	cost
In (units)	
X	Y
24	2000
27	2200
30	2400
33	2450
<u>36</u>	<u>2500</u>
<u>150</u>	<u>11550</u>

Use least Squares method to separate fixed and variable

From the following information prepare production budget for 3 months. (10 marks)