



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

DEPARTMENT: COMMERCE

2014/2016 ACADEMIC YEAR

END OF SEMESTER 2 JULY 2015

DIPLOMA IN BUSINESS MANAGEMENT

UNIT" DAB 1212

UNIT NAME: MANAGEMENT ACCOUNTING

SUPPLEMENTARY

DATE;

TIME:

QUESTION 1

- (a) Explain **FIVE** objectives of management accounting. (5 marks)
- (b) Break even chart is useful in finding point where a business can start making profits but has its Limitations highlight five such limitations. (5 marks)
- (c) Briefly describe **FIVE** benefits accruing to an organization which prepares budgets.
- (c) A company has annual demand for material x of 25000 units per annum. The cost price per unit is sh 2000 and stock holding is 25% per annum of stock value delivery cost per batch is sh 400. Calculate the economic order quantity. (5marks)
- (d) Highlight **SIX** features of management accounting. (6 marks)

QUESTION 2

- (a) Firm is considering acquiring equipment at a cost of sh 450,000. The equipment is expected to have a useful life of 5 years. Before considering the effect of depreciation the annual cash flow returns after income-tax from use if this equipment are estimated at sh 160,000. The company has a cut off rate of 10%. Calculate discounted pay back period.
- (a) You are required to prepare from the following information
- (i) A break even chart
 - (ii) Contribution/sales graph

QUESTION 3

Foya Ltd manufactures two types of products a and B for 2013 budgeted sales were

Product	quantity	Price
A	3000	80
B	7000	70

Stock for these products were as

Product	opening stock	closing stock
A	2000 units	1500 units
B	1800 units	2500 units

Prepare

- (i) Sales budget
 - (ii) Sales budget
- (b) Explain facts which must be considered in standard costing. (10 marks)

QUESTION 4

- (a) Discuss the tools and techniques of management accounting. (10 marks)
- (b) The management of SL Ltd has provided you with the following information for investment of project X and Y use the information to find probability according to
- (i) NPV method
 - (ii) Internal rate of return (IRR) method. (10 marks)

Cost	Project X	Project Y
Working life	5 years	4 years
Earning ater		
Year	sh.	Sh.
1	50,000	10 000
2	40 000	10 000
3	20 000	10 000
4	10 000	5 000
5	10 000	-