



# **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**

**YEAR 2 SEMESTER 1 JAN – MAY 2016**

**PROGRAMME: DIPLOMA**

**EXAMINATION: SUPPLEMENTARY**

**UNIT CODE: DAB 1212**

**UNIT NAME: MANAGEMENT ACCOUNTING**

**DATE:**

**TIME:**

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### **INSTRUCTIONS TO CANDIDATES**

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

## QUESTION ONE

- (a) Explain assumptions of economic order quantity. [4 marks]
- (b) Describe FIVE users of management accounting. [5 marks]
- (c) Discuss the importance of management accounting. [5 marks]
- (d) Calculate – breakeven point in shillings/ units from the following information: [5 marks]

Fixed cost sh 1200, variable cost sh5000  
Sales sh 7 000, sales in units sh 1000.

- (e) Explain briefly FIVE types of budgets as used in budgetary control. [4 marks]
- (f) A company buys components at sh10 each and annual demand is 5,000 units while ordering cost are sh200 and stock holding cost 20% of carrying cost. Determine:
- (i) Economic order quantity (EOQ)
- (ii) Number of order per year [4marks]
- (g) Explain the advantages of high low method of cost estimation. [2 marks]

**[Total 30 marks]**

## QUESTION TWO

- (a) Discuss the essentials required in installation of ideal system of management accounting. [10 marks]
- (b) Prepare production budget from the following particulars for the year ended 31 March 2008

### Products

	A	B	C	D
	Units	Units	Units	Units
Estimated sales	80,000	60,000	50,000	20,000
Desired stock of end of yrs	35,000	20,000	20,000	10,000
Totals	115,000	80,000	70,000	30,000
Estimated stock at the beginning	30,000	25,000	10,000	5,000
Budgeted production	85,000	55,000	60,000	25,000

[Total 20 marks]

### QUESTION 3

Company ESB submits the following information to you as the management accountant.

Fixed cost sh 6000, variable cost sh 1 per unit

Selling price of sh 2, sh3, sh 4 for product P,Q, & R respectively

Estimated sales

P = 8,000 units @ sh 2 per unit

Q = 4000 units @ sh 3 per unit

R =3500 units @sh4 per unit

#### Required

(a) Break even chart for the three products P, Q & R [10 marks]

(b) Describe reason for variances in standard costing. (10 marks)

[Total 20 marks]

### QUESTION FOUR

(a) SS suppliers manufactures soap tuff soft

Standard mixture

Material 100kg @ sh 10 per kg

Material soft 150 kg @ sh 20 per kg

Actual mixture

Material tuff 120 kg @ sh 12 per kg

Material soft 130 kg @ sh 18 per kg

Calculate different material variances. [10 marks]

(b) (i) Describe assumptions underly in inventory model. [5marks]

(ii) Draw break even chart from the following information

Sales sh 600,000, variable costs sh 350,000, fixed costs sh 150,000

Selling price per unit sh 120 [5 marks]