



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

**DEPARTMENT: COMMERCE**

CAMPUS: MAIN

ACADEMIC YEAR: 2015/2016

YEAR OF STUDY: ORDINARY

YEAR OF STUDY: YEAR 2 SEMESTERS

UNIT CODE: DAB 1212: MANAGEMENT ACCOUNTING

DATE:

TIME: 2 HOURS

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INSTRUCTIONS:

Answer Question *ONE* and any other *TWO* Questions.

**QUESTION ONE**

- (a) Briefly explain **FIVE** functions of management accounting. [5 marks]
- (b) From the information given calculate breakeven point in units and sales output 3000 units selling price per unit sh 30 cost price per unit sh 20 fixed costs sh 20000. [5 marks]
- (c) Describe **FIVE** objectives of budgetary control [5 marks]
- (d) From the following figures prepare raw materials purchase budget .

Material in units						
	A	B	C	D	E	F
Estimate stock on 1 <sup>st</sup> Jan	16000	6000	24000	2000	14000	28000
Estimate stock on 31 <sup>st</sup> Jan	20000	8000	28000	4000	16000	32000
Estimated consumption	20000	44000	132000	36000	88000	17200
Standard price per unit	Sh25	Sh5	Sh15	Sh10	Sh20	Sh30

- [5 marks]
- (e) Outline **THREE** limitation of standard costing [3 marks]
- (f) Use high and low method to estimate fixed and semi variable cost

Period	out	put in	Semi variable
b	units	costs	
1	25 000	75 000	
2	15 000	66 000	
3	40 000	100 000	
4	30 000	85 000	
5	50 000	115 000	
6	35 000	95 000	

**QUESTION TWO**

- (a) Blue sky soap market had a total consumption of 80 000 units during the year ending 3008 market served two market new work and conduit, new work enjoying 60% and conduit 40% respectively. You required to prepare sales budget for New work co. given the following information.
  - (i) Total sales to go up by 20000 units
  - (ii) Other two firm to enter the market and new work to lose 10% of market share.

(iii) Distribution of sales in the year quarters as follows 3:3:4:2

(iv) Estimated selling price per ksh20 cost details

Direct material sh 8

Direct labour sh 4

Variable overheads 100% of wages

Fixed overheads sh 80000 per year evenly distributed

(b) The following shows weekly manufacturing costs and machine hours spent.

Draw a scatter diagram to estimate variable and fixed costs

Hours spent	Cost
1. 70	1120
2. 90	1200
3. 63	1000
4. 75	950
5. 60	790
6. 95	1400
7. 82	1180
8. 45	750
9. 85	1300
10. 97	950
11. 70	750
12. 47	1000

[10 marks]

### QUESTION THREE

(a) A company has an annual demand of a product amounting to 60,000 units

The price per unit is sh 45 000

The holding cost is  $\frac{1}{3}$  of the stock value. The ordering cost per order is sh 320.

(i) EOQ

(ii) Ordering cost

(iii) Holding cost

(iv) Relevant cost

(b) Co. xyz intends to invest in two projects x and y with the following cash inflows

Cost	project x	Project
	Sh 9123	27200
Working life	5 yrs	4yrs
1	50 000	10 000
2	40 000	10 000
3	20 000	10 000
4	10 000	5 000
5	10 000	-

Neither project will have salvage value the rate of return is 10 you are required to rank the project

(a) Net present value method. [7marks]

(b) Probability index [3 marks]

[10 arks]

**(Total 20 marks)**

#### QUESTION FOUR

(a) HEH Co produces a certain detergent the standard material cost being

Standard price of materials	sh 5 per kg
Standard quantity f materials required	3 kg
Actual production	375 units
Materials purchased	1500 kg
Opening stock of material	200 kg
Closing stock of material	400 kg

#### Required

Calculate

(i)Material cost variance [4 marks]

(ii) Material price variance [4 marks]

(iii) Material usage variance [3 marks]

(b) Draw a break even chart for Felt Ltd given the following information below

Selling price = sh8 per unit

Variable cost = sh 5 per unit

Fixed cost = sh 45 000

Sales = 25 000 units

[10 marks]

**[Total 20 marks]**