



**MURANG'A UNIVERSITY COLLEGE**

*(A Constituent College of Jomo Kenyatta University of Agriculture and Technology)*

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**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF COMMERCE**

**MAIN CAMPUS**

**UNIVERSITY EXAMINATIONS  
SPECIAL/SUPPLEMENTARY  
2014/2015 ACADEMIC YEAR**

**YEAR TWO SEMESTER ONE EXAMINATIONS**

**DIPLOMA IN BUSINESS MANAGEMENT (DBM)**

**COURSE CODE: DAB 1212**

**COURSE TITLE: MANAGERIAL ACCOUNTING**

**DATE:**

**TIME:**

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**INSTRUCTIONS TO THE CANDIDATES**

**THIS PAPER CONSIST OF FOUR QUESTIONS**

Question one (1) is Compulsory

Answer Any Other Two (2) Questions

MRUC observes ZERO tolerance to examination irregularities

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### QUESTION ONE

- a) Management accounting is closely related to Financial Accounting in that they share the sources of information. Explain five similarities. (5marks)
- b) Highlight 7 basic steps in decision making process. (7marks)
- c) Managers are found in all functional areas of an organization. Discuss the functional areas of management also referred to us as roles of management. (6marks)
- d) Shahada Ltd a manufactured company is in the process of preparing its budget for the upcoming production period. The following data relate to the company for the last six months of 2014.

Year	Month	Activity Level	Electricity expenses (Ksh. '000')
2014	July	800	2,100
2014	August	1200	3,400
2014	September	1100	3,200
2014	October	1600	4,200
2014	November	1500	4,000
2014	December	1800	4,600

- i) Estimate the fixed and variable elements of the electricity expense using the least squares method; (10marks)
- ii) Determine the electricity expense for January 2015 if the activity level is expected to be 1,900 hours. (2marks)

### QUESTION TWO

- a) Nzewani Ltd has the following data in respect of its major raw materials.

	Units per week
Maximum consumption	4,800
Normal consumption	3,600
Minimum consumption	2,400
Re-order period	4-6 weeks
Re-order quantity	24,000 units

- Calculate the;
- i) Re-order level (4marks)
  - ii) Minimum stock level (4marks)

- b) The following details relate to a product manufactured and sold by Mwito Ltd.

Variable cost per unit Ksh 30

Selling price per unit Ksh 40  
For the forthcoming year the budgeted fixed costs are expected to be Ksh. 70,000 while the budgeted sales are 8,000 units.

Determine;

- i) Break-even point in units and in shillings. (4marks)
- ii) Margin of safety in units and in shillings (4marks)
- iii) Units to be produced and sold to realize a profit of Ksh.30,000 (4marks)

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### QUESTION THREE

- a) Kuweka wholesalers Ltd has a cost of capital of 15% and has a limit of Ksh 100,000 available for investment in the current period. It is expected that capital will be freely available in the future. The investment required, the NPV at 15% and the EVPI for each of the six (6) projects currently being considered are shown below.

Projects	outlay	NPV@15%	EVPI
A	20,000	8,000	0.4
B	40,000	28,000	0.7
C	35,000	37,000	1.07
D	50,000	31,500	0.63
E	15,000	3,500	0.23
F	45,000	-5,000	-0.11

Assuming that projects B and D are mutually exclusive, what projects should be initiated.

(20marks)

### QUESTION FOUR

- a) Discuss five assumptions of linear programming. (10marks)
- b) Explain five assumptions of C.V.P analysis. (10marks)

