



# **MURANG'A UNIVERSITY COLLEGE**

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

## **SUPPLEMENTARY/SPECIAL UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**FOURTH YEAR SECOND SEMESTER EXAMINATIONS**

**FOR THE DEGREE**

**OF**

**BACHELOR OF COMMERCE**

**COURSE CODE: HBA2405**

**COURSE TITLE: CONTEMPORARY MANAGEMENT  
ACCOUNTING**

**DATE : ..... TIME: .....**

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### **INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory

Answer ANY other TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 5 Printed Pages. Please Turn Over. ►

## QUESTION 1

- (a) Discuss the Advantages and disadvantages of Responsibility Accounting. (6 marks)
- (b) Highlight the Ethical practices have affected the growth of Contemporary Management Accounting. (4 Marks)
- (c) Explain the emerging issues in the Management Accountant. (5 marks)
- (d) Discuss the objectives of any financial performance Appraisal system. (5 marks)
- (e) Ufundi Ltd has automated the activities in one of its departments. For the first quarter of the operations, the following data was collected for each unit or each order processed.

	<b>Days</b>
Inspection time	1.5
Process time	7.4
<b>Waiting Time;</b>	
From order to the start of production process	19.0
From the start to the end of production process	8.0
Move time	1.4

Management is unsure how to use these data to measure performance and control operations.

### **Required**

- (i) The throughput time. (2 Marks)
- (ii) The manufacturing cycle efficiency(MCE) for the quarter. Comment on the figure obtained. (3 Marks)
- (iii) The throughput time spent on the non-value-added activities. (3 Marks)
- (iv) The new MCE,if by the use of JIT all wait time can be eliminated in the production process. (2 Marks)

**(Total:30 Marks)**

## QUESTION 2

Mambo leo Ltd Company that a firm makes four products P,Q,R and S. Data for the past period are as follows.

Product	Output Units	No. of production runs in period	Direct Labor hrs. Per unit	Machine hrs. per unit	Material cost per unit	Material Components per unit
P	50	6	4	4	Sh.60	16
Q	50	8	8	8	Sh.150	10
R	500	14	4	4	Sh.60	16
S	500	20	8	8	Sh.150	12

Direct labour costs sh.14 per hour.

<b>Overhead costs</b>	<b>Sh.000</b>
Short-run variable costs	13,250
<b>Long-run variable costs;</b>	
Scheduling costs	12,680
Set-up costs	8,600
Material handling costs	<u>12,650</u>
	<b><u>47,180</u></b>

### Required

- Prime cost for each product (4 Marks)
- Total Labour hours. (2Marks)
- The overhead Absorption rate based on the Labour hours (2 Marks)
- The total production cost per a product (4 Marks)
- The production cost per unit, using the traditional cost accounting method based on the labour hour overhead absorption rate. (4 Marks)
- Given the following cost drivers;

Short-run variable costs	Machine hours
Scheduling costs	No. of production runs
Set-up costs	No. of production runs
Material handling costs	No. of Material components

- (g) The production cost per unit, using Activity Based Costing (ABC) based on the above cost drivers. ( 4 marks)

( Total :20mks)

### QUESTION 3

- (a) Discuss the characteristics of Decentralized organizations. (8 marks )
- (b) Discuss the concept of “Computer-Aided Manufacturing” and its advantages. (6Marks)
- (c) Explain the general frame-work of Management Accounting. (6Marks)

(Total :20mks)

### QUESTION 4

- (a) Discuss the major advantages of balanced scorecard. (4 Marks)
- (b) The selected sales and operating data for three companies are given below:

	Company		
	K	L	M
	Sh. 000	Sh. 000	Sh. 000
Sales	7,000	15,000	14,,000
Average operating assets	2,500	10,000	8,000
Net operating income	600	1,800	540
Stockholders' equity	2,000	8,500	7,500
Minimum required rate of return	12%	15%	18%

#### Required

- (i) The ROI for each company. (4 Marks)
- (ii) The Residue income for each company. (4 Marks)

- (iii) Assume that each company is presented with an investment opportunity that would yield a rate of return of 13%:

If performance is measured by ROI, which company or companies will accept the opportunity. (4 Marks)

If performance is measured by residual income, which company or companies will accept the opportunity (4Marks)

(Total :20mks)

