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**University Examinations 2014/2015**

FOURTH YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

AND

FOURTH YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF PURCHASING AND SUPPLIES MANAGEMENT

**HBC 2213/HPS 2408: MANAGEMENT ACCOUNTING**

**DATE: DECEMBER 2014 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

 *All workings must be shown*

**QUESTION ONE (30 MARKS)**

1. “Management Accounting systems installation is a serious waste of resources any firm should ignore it”

Required:

Citing a firm with which you are familiar, discuss the foregoing statement, clearly advising the management on the best position to take (6 marks)

1. Discuss the arguments for and against use of budgetary control systems as enumerated in management accounting (4 marks)
2. Standard costing provides a yardstick against which actual costs are compared. How are standards developed in standard costing (4 marks)
3. A company has the following demand and cost functions:

p=200-4q where p is price per unit in sh. and q is quantity demanded in thousands of units

c=2q2+20q=1000 where c is total cost in shillings thousands and q is as above.

**Required:**

1. Calculate output in units that will maximize total profit and the corresponding unit selling prices total profit and total sales revenue. (3 marks)
2. Calculate the output in units that will maximize total revenue, the corresponding unit selling price, total loss and total sales revenue. (3 marks)
3. A company is considering the launch of a new product “Wye”. An analysis of the expected demand for the product reveals that customers response may either be excellent, good average or adverse. Annual variable production costs are dependent on the costomer response as shown below:

Customer response Variable production

Excellent 700

Good 400

Average 300

Adverse 200

Fixed costs amount to sh 400,000 per annum while variable cost to sales ratio is expected to be 40%.

Required:

1. Profit or loss under each of the expected customers responses (4 marks)
2. Level of sales in value at which the company would realize a profit of sh. 500,000

(4 marks)

1. Differentiate between financial measures and non-financial measures of performance evaluation (2 marks)

**QUESTION TWO (20 MARKS)**

1. Summarise a sequence that can be used in the compilation of the annual budget in a manufacturing company (6 marks)
2. A beauty chemical industry intends to step up marketing activities for its products. The company wishes to hire additional salesmen to undertake this exercise. The marketing manager feels that there is a correlation between the monthly sale volume attained by the salesmen and their Emotional Quotients (E.Q). The following data was obtained from previous records:

E.Q 40 53 65 70 72 76 80 83 88

Monthly sales (sh. 000) 100 180 250 320 400 450 490 520 620

**Required:**

1. Derive a formular that defines the relation between monthly sales and the salesman’s emotional quotient (4 marks)
2. If the salesman had an E.Q of 60, how much sales would he be expected to make per month? (3 marks)
3. If the salesman is expected to make a minimum monthly sales of sh. 700,000 what would be his emotional quotient? (3 marks)
4. Explain the assumptions and the limitations of the technique that you have just used above

(4 marks)

**QUESTION THREE (20 MARKS)**

1. Discuss the relevance of management accounting in the following functions of management.
2. Motivation (2 marks)
3. Communication (2 marks)
4. Decision making (2 marks)
5. Jani masses ltd owns a fleet of eighteen buses. Each bus has a carrying capacity of 29 passengers. the company operates for 6 days a week and 52 weeks a year. Further, the company serves two routes, Eastern and Western, with nine buses on each route. Each bus on the Eastern and Western routes makes ten and thirteen trips per day respectively. Over the last 52 weeks, the management of the company has collected the following data for the purpose of analysing the performance of the buses.
6. Per trip details Route

Eastern Western

 Average number of passengers 15 12

 Average fair paid per passenger (sh) 30 40

 Distance covered (km) 15 20

1. Operating costs incurred during the period:

Driver’s wages sh. 500 per bus working day

Conductor’s wages sh. 300 per bus per working day

Fuel and maintenance sh. 8 per km

Apportioned fixed costs sh. 52000 per route for the period

Vehicle insurance sh. 61000 per bus for the period

Required

For the 52-weeks period, calculate:

1. Total operating cost per bus on each route (6 marks)
2. Operating cost per kilometre on each route (4 marks)
3. Profit per kilometre on each route (4 marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss five limitations of cost volume profit (C.V.P) analysis (5 marks)
2. Bahati and Gloria are in a partnership business dealing in the manufacture of a slimming substance branded “Kitanzi”. The following data relate to the product:
3. Standard mix is as follows:

Material Percentage of input Standard cost per Kg (sh)

A 30 120

B 50 295

C 20 115

 2. The standard process loss is 20% of input weight. During the quarter ended 30th June 2014, 2450kg

of “Kitanzi” were produced from the following inputs:

Material Input (kg) Price per kg

A 30 120

B 50 295

C 20 115

**Required:**

1. Material price variance (3 marks)
2. Material usage variance (3 marks)
3. Material cost variance (3 marks)
4. Material mix variance (3 marks)
5. Material yield variance (3 marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss why the break-even point changes when there is a change in the sales mix (2 marks)
2. Highlight the usefulness of break-even analysis to the management of a firm (4 marks)
3. Rangi ltd, a paint manufacturer, produces two types of paint namely “Gloss’ and Shine”. The following information relates to the company ‘s projections for the year ending 31st December 2013;

Product Gloss Product Shine

 sh. sh.

Sales (50,000 litres) 150 Sales (40,000 litres) 150

Fixed cost (30) Fixed cost (84)

Variable cost (90) Variable cost (45)

Operating profit 30 Operating profit 21

**Required:**

1. Compute the break-even point of gloss in unites and break-even point of shine in shillings

(4 marks)

1. Given that customers purchase composite units of six for gloss and four for shine, calculate the composite contribution margin ratio (3 marks)
2. Given that customers purchase composite units of six for gloss and four for shine, determine the break-even point in units for both types of paints (3 marks)
3. Given that a composite unit comprises one litre of gloss and one litre of shine, calculate the composite contribution margin ratio. (2 marks)
4. Determine the break-even sales in shillings, assuming that gloss and shine become one-to –one complements and that there is no change in the company’s costs structure. (2 marks)