



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**FOURTH YEAR SECOND SEMESTER EXAMINATIONS FOR THE  
DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL  
ECONOMICS AND AGRIBUSINESS MANAGEMENT WITH  
INFORMATION TECHNOLOGY**

**MAIN CAMPUS**

**AAB 416: MANAGEMENT ACCOUNTING II**

Date: 3<sup>rd</sup> August, 2017

Time: 12.00 - 3.00 pm

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**INSTRUCTIONS:**

- Answer ALL questions in SECTION A and any TWO in SECTION B



**AAB 416 – MANAGEMENT ACCOUNTING II**

**STREAMS:** Y4S2 BSc Agricultural economics, BSc Agribusiness management with IT

**DAY:**

**TIME: 3 HOURS**

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**Instructions:**

Answer all questions in Section A and any two questions in Section B

**SECTION A: 30 MARKS**

1. Differentiate between management accounting and cost accounting (2 marks)
2. Explain the risk attitudes that distinguish different decision makers (6 marks)
3. Sofia Wangari Ltd makes cheese using cutting edge technology. The direct labour cost is subject to an 85% learning curve. The first unit is estimated to require 2250 direct labour hours. Assume the company estimates the variable cost of producing each unit is shown as:

Direct material cost	Ksh 40,000 per unit
Direct labour	Ksh 20 per hour
Variable production overhead	Ksh 1000 + 60% of indirect labour cost

**Required:**

Estimate the total manufacturing cost of three, seven, nine, and ten units of the product

**(10 Marks)**

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4. Nyangena farm in Trans Nzoia County produces maize for high-end markets. The farm has projected the following for the short rains ending December, 2017:

Contribution margin ratio	15%
Contribution margin	Ksh 60,000
Fixed Costs	Ksh 40,000

**Required:**

- (a) Construct the contribution margin income statement for Nyangena farm for the period ending December, 2017. **(9 marks)**
- (b) If the farm targets to have income of Ksh 40,000, what should be her break-even sale? **(3 marks)**

**SECTION B: 40 MARKS**

**Question 5**

M/S Asena Hylease Ltd is a flower firm in Naivasha Sub-County. She exports her flowers per month to three countries as shown below:

	Country		
	Britain	England	Canada
Alternative (Ksh / ton)	280,000	315,000	268,000
<i>Conditions</i>			
Excellent exchange rate (Ton)	40	52	47
Good exchange rate (Ton)	36	50	43
Moderate exchange rate (Ton)	31	44	42
Weak exchange rate (Ton)	29	36	40

The probabilities of excellent, good, moderate and weak exchange rates are 20%, 15%, 45% and 20% respectively. She incurs the following costs:

Production costs per ton	Ksh 180,000
Transport cost per ton	Ksh 20,000
Custom duty per ton	Ksh 10,000
Freight charges per ton	Ksh 30,000
Fixed costs	Ksh 1,200,000

**Required:**

(a) Using the Expected Money Value and Expected Opportunity Loss, advice M/S Asena

Hylease Ltd on the best price to sell her flowers under risk and uncertainty.

(15 mark)

(b) Using coefficient of variation, advice M/S Asena Hylease Ltd on the best price to sell her flowers. (5 marks)

**Question 6**

David Mamboleo Ltd. supplies goods to three customers, who each require 30 units. The company has two warehouses. Warehouse A has 40 units available, and warehouse B has 50 units available. The costs of shipping 1 unit from the warehouse to the customer are shown in the table below.

From	To		
	Bibiann	Kibici	Nthambi
Warehouse A	Ksh 15	Ksh 35	Ksh 25
Warehouse B	Ksh 10	Ksh 50	Ksh 40

**Required:**

(a) Formulate a balanced transportation problem to minimize shipping costs. (8 marks)

(b) Use Vogel's approximation method to find the basic feasible solution for the transport problem. (12 marks)

**Question 7**

Jim Philip Ltd is a farm in Kitui County. It produces mangoes and watermelons that are used to manufacture 3 juice brands; tropical, blend and cocktail. The company wishes to produce at least 150kg of tropical, 200kg of blend and 60kg of cocktail. Each crate of mango yields 3kg of tropical, 5kg of blend and 3kg of cocktail. Each crate of watermelon yields 5kg of tropical, 5kg of blend and 1kg of cocktail. If mangoes cost Ksh 400 per crate and watermelons Ksh 500 per crate, using simplex method, advice Jim Philip Ltd on how to minimize its costs. (20

marks)