**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2017/2018**

**YEAR III SEMESTER 1 EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN AFIM AND AMED**

**AER 2302: MANAGEMENT ACCOUNTING 1**

**DATE: DECEMBER, 2017 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER ALL QUESTIONS IN SECTION A (COMPULSORY) AND ANY OTHER TWO IN SECTION B**

**Section A (30 marks) Answer all questions**

**Question one (6 marks)**

Explain the following principles as applied in decision making in business operations

1. Management accounting (2 marks)
2. Costing systems (2marks)
3. Cost allocation base (2 marks)

**Question two (8 marks)**

1. How do alternative choice decisions as applied in management accounting enhance planning and budgeting? (4marks)
2. Discuss the following with respect to management decision making
3. Absorbed and unabsorbed costs (2 marks)
4. Expired and unexpired costs (2 marks)

**Question three (8 marks)**

1. What is the meaning of budget? (2 marks)
2. Explain how behavioral budgeting enhances business management. (6 marks)

**Question four (10 marks)**

1. Explain the concepts and principles with respect to product cost and business management
2. Direct costs (2 marks)
3. Indirect costs (1 marks)
4. Operations management (2 marks)
5. Discuss the steps of inventory control management (5 marks)

**Section B (40 marks)**

**QUESTION FIVE (20 MARKS)**

1. Haria Cash Limited on investigation on alternative sources of supply decides to purchase raw materials from the most favourable supplier, Biashara Jema Limited, which quotes list price of kshs. 1 820 per tonne, exclusive of freight charges. It also offers a qua discount @ shs 70 per tonne for orders exceeding 20 tonnes. It also allows 2% cash discount for payment within 15 days. Moreover, freight charges are likely to be shs 1 700 per truck load (20 tonnes of materials) and payable to the carrier. Compute standard marerials price for Haria Cash Limited. (5 marks)
2. By graphic representation on volume cost profit relationship. Discuss how profit planning is undertaken by business managers (15 marks)

**QUESTION SIX (20 MARKS)**

1. What are the types of management needs decisions made with regard to standard costing? (3marks)
2. Comment on the aspects of broader planning of an organization that are closely related to profit planning. (4 marks)
3. Explain the meaning and application of cost variance analysis in assisting the manager to make the right decisions on performance of their operation. (3 marks)
4. Explain the meaning of budget as a tool of decision making and efficient business management and the elements of budget. (10 marks)

**QUESTION SEVEN (20 MARKS)**

1. Compare and contrast the transformation production process faced by farm manager and manufacturing manager. (7 marks)
2. Discuss the steps of job costing in a manufacturing business. (13 marks)