MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL ECONOMICS/AGRIBUSINESS MANAGEMENT WITH INFORMATION TECHNOLOGY

MAIN CAMPUS

AAB 401: MANAGEMENT ACCOUNTING

Date: 30th November, 2016 Time: 8.30 - 11.30am

INSTRUCTIONS:

- Answer ALL Questions in section A and any TWO in section B.
- Carefully read and follow the instructions contained in the answer booklets provided.

SECTION A: COMPULSORY

Q1: (a) Differentiate between management accounting and financial accounting. (4 Marks)

(b) Explain how strategic positioning is advantageous to the firm. (3 Marks)

Q2: (a) Highlight 4 advantages of budgeting. (4 marks)

(b) Explain the classification of environmental costs. (8 marks)

Q3: Kapa oil industries produces and sells two products: Toss and Jamaa bar soap. In the coming year, Kapa expects to sell 3000 units and 1500 units of Toss and Jamaa bar soap respectively. Information on the two products is as follows;

	Toss	Jamaa
	Ksh	Ksh
Price	120	200
Variable cost per unit	40	80

Total fixed costs are Ksh 140,000

Required:

(a) Compute the break-even quantity of each product. (4 marks)

(b) If the sales are expected to increase by 25%, calculate the expected operating income. (7 marks)

SECTION B: ANSWER ANY TWO QUESTIONS

Q4: A fertilizer company uses 36,000 tonnes of ammonia each year (an average of 100 tons per working day). It costs Ksh 20 to place and receive an order. The company orders in lots of 400 tons. It costs Ksh 4 to carry one ton per year in inventory.

Required:

(a) Calculate the total annual inventory cost at an order size of 400 tons. **(8 marks)**

(b) Calculate the total annual inventory cost using the EOQ inventory policy **(10 marks)**

(c) How much is saved per year using the EOQ versus an order size of 400 tons? **(2 marks)**

Q5: USAID Kenya is an NGO working with smallholders in mango value chain in Kisumu County and provides advisory services to a mango processing cottage industry belonging to Maembe Farmers' Group in Maseno Township. The NGO's management accountant treats peeling costs as mixed; a combination of fixed and variable costs. Number of mangoes is the activity driver for peeling costs. The following data for the past eight months have been collected:

Month	Peeling cost (Ksh)	Number of mangoes
1	3,255	460
2	3,485	500
3	4,100	600
4	3,300	470
5	3,312	470
6	2,575	350
7	3,910	570
8	4,200	590

Additional information:

i. Expected number of mangoes on the 9th month is 610

ii. Price of a peeled mango is Ksh 8.00

iii. The NGO uses High-Low method.

Required:

(a) Draw up a contribution margin income statement for Maembe Farmers' Group for the 9th month. **(12 marks)**

(b) Compute the break-even sales. **(4 marks)**

(e) What should be the sales revenue in the 9th month if a targeted operating income of Ksh 1000 is to be achieved? **(4 marks)**

Q6: Karna Nani Ltd is an Agrovet business in Nandi County and uses two suppliers, Monsanto Ltd and Kenya Seed Ltd, as the source of two types of seeds: Tomatoes and Capsicum. Consider two activities: Ordering and delivering seeds. Ordering seeds occurs because of stock taking. Delivering seeds occurs because of transportation. Activity cost information and other data needed for supplier costing are as follow;

1. Activity costs caused by suppliers.

Activity	**Cost (Ksh)**
Ordering seeds	800,000
Delivering seeds	200,000

2. Supplier data

	Monsanto Ltd		**Kenya Seed Ltd**	
	Tomatoes	**Capsicum**	**Tomatoes**	**Capsicum**
Unit purchase price	Ksh 20	Ksh 52	Ksh 24	Ksh 56
Units purchased	80,000	40,000	10,000	10,000
Number of stock taking	1,600	380	10	10
Transportation	60	40	0	0

Required:

Determine the unit cost of each supplier by using Activity-Based Costing approach. **(20 Marks)**