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**University Examinations 2015/2016**

FOURTHYEAR, FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

AND

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

**BFC3425: MANAGEMENT ACCOUNTING**

**DATE: NOVEMBER 2015 TIME: 2 HOURS**

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

**QUESTION ONE (30 MARKS)**

1. “Management Accounting system is perhaps one of the key developments of Industrial Revolution in the 19th Century”.

**Required:**

Citing a firm with which you are families, discuss the relevance of management accounting in the contemporary world. (6 Marks)

1. Discuss the arguments for and against budgetary control systems as enumerated in management accounting (4 Marks)
2. Standard costing provides a yield stick 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=100-2q; where P is price per unit in Sh. and Q is quantity demanded in thousands of units,

C=Q2+10Q+1000; where C is total cost in Sh thousands

**Required:**

**Calculate;**

1. Maximum Revenue and the corresponding unit price (2 Marks)
2. Maximum profit and the corresponding unit price (2 Marks)
3. Sales volume in units that maximises profit and sales revenue (2 Marks)
4. Travel county info consult business offers research services in the Eastern region- Kenya. The firm has spend already Sh.32M in mapping out resources in Meru Country. The exercise is expected to spend further Sh.26M and the expected net present value of projects involved is Sh.29M.

**Required**:

1. Analyze each type of cost and comment on its relevance in decision making (3 Marks)
2. Explain the five key steps of any decision making process (5 Marks)
3. Advise the management of the research firms on whether to continue with the project or not, based on the foregoing details. (2 Marks)

**QUESTION TWO (20 MARKS)**

1. How do financial measures of performance differs from non-financial measures of performance?
2. Citing a firm which you are familiar, explain how performance contracting works in the current public sector (4 Marks)
3. ABC Ltd produces a single product branded ‘Zed’ The standard cost per unit for the month October 2014 was as follows:

**Sh.**

Direct materials 5 kg @ sh.2 per kg 10

Direct labour 4 hrs @ sh.5 per hour 20

Variable overheads 4 hrs @ sh.1 per hour 4

Fixed overheads 4 hrs @ sh.10 per hour 10

Total 74

Additional information:

1. Budgeted production was 2000 units while the actual production was 1,800 units.
2. The following were the actual costs for the month of October 2015:

Sh.

Direct material: 12000 kg 26,400

Direct labour: 9,800 hr 44,100

Variable overheads: 9,000

Fixed overheads: 100,000

Total 179,500

 **Required:**

1. Material cost variance (4 Marks)
2. Labour cost variance (4 Marks)
3. Fixed overhead volume variance (2 Marks)
4. Variance overhead expenditure variance (2 Marks)

**QUESTION THREE (20 MARKS)**

1. Highlight four key features of Just in Time systems (4 Marks)
2. Kimani and Atoti who are in partnership, wish to prepare a budged for material requirements. They have requested for your assistance and presented the following information:
3. Sales budget for the five months from June 2015 to October 2015 is as follows:

**Units**

June 10,800

July 15,600

August 12,200

September 10,400

October 9,800

1. Finished goods at the end of month are to be materialised at 25% of sales estimate for the following month:
2. 2700 units of finished goods were available at the beginning of June 2015.
3. There is no closing work in progress in dry month
4. Each unit requires 5 kg of material Q and 4 kg of material P.
5. Material at the end of every month are to be maintained at half of the requirements for the following month.

**Required:**

1. Production budget for the months of June, July, August and September (6 Marks)
2. Material ‘P’ usage budget for the months of June, July and August (5 Marks)
3. Material ‘Q’ usage budget for the month of June, July and August (5 Marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss why breakeven point changes when these is a change in the sales mix (2 Marks)
2. Why is least squares method of coir estimation preferred to high low method? (4 Marks)
3. Mananzi Ltd, a paint manufacturing firm, produces two types of paints, namely; ‘Gloss’ and ‘Shine’. The following information relate to the company’s projections for the year ended 31st December 2015:

 **Gloss Shine**

 **Sh, 000 Sh, 000**

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

Fixed cost (30) (84)

Variable cost (90) (45)

Opening profit 30 21

**Required:**

1. Compute the breakeven point of Gloss and breakeven point of Shine in shillings (4 Marks)
2. Given that customers purchased composite units of a six for gloss and a four for shine, calculate the composite contribution margin ratio for the firm. (3 Marks)
3. Given that customers purchase composite units of a six for gloss and a four for shine, determine the breakeven point in units for both types of paints. (3 Marks)
4. Given that composite unit comprises one litre of gloss and one litre of shine, Calculate the composite contribution margin. (2 Marks)
5. Determine the breakeven sale in value, assuming gloss and shine become one-to-be components in that these is no change in the company’s cost structure (2 Marks)

**QUESTION FIVE (20 MARKS)**

1. Why is cost forecasting critical for any firm? (3Marks)
2. Discuss three factors which may be considered in establishing the appropriate cost forecasting technique by a firm (3 Marks)
3. What is the difference between transfer pricing and responsibility accounting (4 Marks)
4. Discuss three methods which are commonly used to account for joint costs in process costing

 (3 Marks)

1. Meru level five Hospital records shows that the cost of carrying out optimality checks in the cost 5 years have been as follows:

  **Tests Total**

**Period No. of Tests Cost-sh**

7 6,500 17,125

2 9,400 17,800

3 12,600 18,650

4 9,900 17,980

5 11,500 18,360

**Required:**

1. Using the range method, find the estimated cost of carrying out 9000 tests for the period six. (4Marks)
2. Using the least squares methods, find the estimated cost of carrying out 13,000 tests for period seven. (4 Marks)
3. A computerised regression program produced a co-efficient of determination of the equation as 0.89. Explain the accuracy and reliability of the forecasting function (1 Mark)