



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FOURTH YEAR FIRST SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH
INFORMATION TECHNOLOGY**

CITY CAMPUS - EVENING

ABA 404: MANAGEMENT ACCOUNTING I

Date: 17th July, 2017

Time: 5.30 - 8.30 pm

INSTRUCTIONS:

- Answer question ONE and any other THREE questions.
- Show all the workings clearly.
- All questions carry equal marks.

QUESTION ONE

- a) Decision making is the process of choosing among alternatives. Discuss the steps involved in decision making. (10marks)
- b) Discuss the necessary steps involved in the budgeting process (7.5marks)
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QUESTION TWO

Assume that ABC Ltd is trying to set the selling price for one of its products and three prices are under consideration. These are Sh. 4, Sh. 4.30 & Sh 4.40.

The following information is also provided

	Price Alternatives		
Conditions	Sh. 4.00	Sh. 4.30	Sh. 4.40
Best possible	Sh. 16,000	14,000	12,500
Most likely	14,000	12,500	12,000
Worst possible	10,000	8,000	6,000

Fixed costs = Sh. 20,000

Variable cost per unit = Sh. 2

Required

Advise the company on the best price to set under;

- i. Maximax rule (4.5marks)
- ii. Minimax rule (4marks)
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- iii. Laplace criterion of rationality (4.5marks)
- iv. Minimum Regret criterion (4.5marks)

QUESTION THREE

Assume that ABC Ltd makes four components with the following information

	W	X	Y	Z
Production (units)	1000	2000	4000	3000
Unit marginal costs				
Direct material	4	5	2	4
Direct labour	8	9	4	6
Variable O/H	2	3	1	2
	14	17	7	12

Attribute Fixed Cost

Sub contractor price

		Sh.		Sh.
TO	W	1000	W	12
	X	5000	X	21
	Y	6000	Y	10
	Z	8000	Z	14

Committed Fixed Costs are Sh. 30,000.

Required;

- a) Advise the company on the components to buy or make if any (17.5marks)

QUESTION FOUR

A multipurpose company furnishes you with the following data relating on a year.

	1 st half	2 nd half
	Sh.	Sh.
Sales	45000	50000
Total cost	40000	43000

Assuming that there is no change in prices and variable costs and that the fixed expenses are incurred equally in two half years.

Required;

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- a) P/V Ratio (2.5marks)
 - b) Break Even sales (2.5marks)
 - c) Percentage of Margin of safety (2.5marks)
 - d) Discuss the role of the management accountant in the management process. (10 marks)

QUESTION FIVE

A company expects to have Sh. 37,500 cash in hand as on 1st April and requires you to prepare **an estimate of cash position** during the three months, April, May, and June. The following information is supplied to you:

	Sales Sh.	Purposes Sh.	Wages Sh.	Factory Expenses Sh.	Office Expenses Sh.	Selling Expenses Sh.
February	75000	45000	9000	7500	6000	4500
March	84000	48000	9750	8250	6000	4500
April	90000	52500	10500	9000	6000	5250
May	120000	60000	13500	11250	6000	6570
June	135000	60000	14250	14000	7000	7000

Other information;

1. Period of credit allowed by suppliers is 2 months
2. 20% of sales is for cash and period of credit allowed to customers for credit is one month.
3. Delay in payment of all expenses is one month.
4. Income tax of Sh. 57,500 is due to be paid on June 15th.
5. The company is to pay dividends to share holders and bonus to workers of sh. 15,000 and sh. 22,500 respectively in the month of April.
6. Plant has been ordered to be received and paid in May. It will cost sh. 120,000

Required;

Prepare a cash budget for the period

(17.5marks)

QUESTION SIX

a) Explain the meaning of the following terms; cost driver, prime cost, cost assignment and cost allocation.

(7.5marks)

b) Discuss the steps involved in developing a cost estimation relationship.

(10marks)