UNIVERSITY OF EMBU

2017/2018 ACADEMIC YEAR

TRIMESTER EXAMINATIONS

THIRD YEAR TRIMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

DAC 503: MANAGERIAL ACCOUNTING

DATE: AUGUST 7, 2018 **TIME: 4:00-7:00PM**

INSTRUCTIONS:
Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (25 MARKS)

a) Make brief notes on the following costing terms and illustrate with the aid of a diagram
   i) Just In Time (2 marks)
   ii) Activity Based Costing (2 marks)
   iii) Break Even Analysis (2 marks)

b) Discuss the content of Accounting framework for planning and controls used by management accountant (6 marks)

c) Distinguish between Management Accounting and Financial Accounting (4 marks)

d) Highlight the contributions of management accountant in the organization product life cycle (5 marks)

e) State emerging trends causing changes in management accounting today (4 marks)

QUESTION TWO (25 MARKS)

Asernal limited manufacturers two products namely X and Y. the company uses two materials A and B in the manufacture of these products. The following information is given for the year 2013.

Budgeted sales		
Product	**quantity**	**price (sh)**
X	10,000	40
Y	8,000	30
Materials Used		
	A	**B**
Shs	**Shs**	
Unit Costs	5	8
Quantities Used		
X	5	3
Y	4	4

There were no stocks at the beginning of the year. Stocks at the end of the year are expected to be

X: 1000 units, Y: 500 units

a) Prepare the following budgets

i) Sales budget (3 marks)

ii) Production Budget (3 marks)

iii) Material usage in Quantities Budget (3 marks)

iv) Material purchase in Quantities and value (3 marks)

b) As a management accountant practitioner discuss four standards of ethical conduct for management accountant with emergence of corporate scandals in Kenya (8 marks)

c) Draw the graphical analysis of Break Even Point model (5 marks)

QUESTION THREE (25 MARKS)

The management account of XYZlimited has provided the following data for the organization

Outputs	5000 Units	
Costs	**Shs**	
Direct Materials	125,000 (Variable)	
Direct wages	220,000(Variable)	
Indirect Materials	16,000 (Variable)	
Production Overheads	415,000	200,000 Fixed
Selling & Distribution overheads	75,000	60,000 Fixed

Admin Overhead	314,000	150,000 Fixed
Depreciation	50,000	Fixed

a) **Required**

i) Using accounts analysis technique develop estimator equation (10 marks)

ii) Estimate the cost of 6000 Units (5 marks)

b) Discuss the key components of value chain of a business function with an aid of a diagram (10 marks).

QUESTION FOUR (25 MARKS)

a) Beta, the accounting honorary fraternity, held a homecoming party. The fraternity expected attendance of 80 persons and prepared the following budget:

Activity	**Cost**
Room rental	150,000
Food	800,000
Entertainment	600,000
Decorations	220,000
Total	**1,770,000**

After all bills for the party, the total cost came to 1,948,000. Details are 150,000 for room rental; 1,013,000 for food; 600,000 for entertainment and 185,000 for decorations. Ninety five persons attended the party.

Required:

i) Prepare a performance report for the party (7 marks)

ii) Suppose the fraternity uses a management by exception rule. Which costs deserve further examination and why? (8 marks)

b) KPZ Company uses a component which it can either make or purchase from outside supplier. The relevant cost of production is as follows

Cost/unit	Sh
Direct Materials	250
Direct Labour	165

Variable Overheads	80
Fixed Overheads	30

40% of the fixed production overheads will be incurred irrespective of decision made. An external supplier has offered to sell the component at Kshs. 530/unit.

i) Advise the company on whether to make or buy? (4 marks)

ii) Discuss additional factors which the company need to consider in the decision (6 marks)

QUESTION FIVE (25 MARKS)

a) The following data shows the results of a random sample of 10 batches of one pattern of stoneware

Sample	Batch size, X	Support costs, Y Kshs "000"
1	15	180
2	12	140
3	20	230
4	17	190
5	12	160
6	25	300
7	22	270
8	9	110
9	18	240
10	30	320

Required

a) Plot support costs, Y, versus batch size , X (4 marks)

b) Using regression analysis, determine the cost function of support services and batch size (10 marks)

c) Predict the support costs for a batch size of 30 (3 marks)

b) Discuss a Cost volume profit graph and highlight its assumptions (8 marks)

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