



Kirinyaga University

UNIVERSITY EXAMINATION 2018/2019

YEAR IV SEMESTER II EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

HBA 2405: CONTEMPORARY ISSUES IN MANAGEMENT ACCOUNTING

Date: Monday, 15th April, 2019

Time: 8.30 am - 10.30 am

INSTRUCTION: Answer Question one (compulsory) and any other TWO questions

QUESTION ONE

- a) Describe the different elements of strategic management accounting. 9 marks
- b) Explain the following with regard to the Balance Score Card
 - i) Customer perspective 5 marks
 - ii) Financial perspective 5 marks
- c) ABC Ltd. Is a manufacturing company that makes only three products P, Q, and R. Data for the period ended last month are as follows:

	P	Q	R
Units produced and sold	12,000	16,000	8,000
	Sh.	Sh.	Sh.
Sales price per unit	50	70	60
Direct material cost per unit	16	24	20
Direct labour cost per unit	8	12	8
Production overheads	Total	Cost drivers	
costs	Sh.	Machine hours	
Machining costs	102,000		

Production scheduling	84,000	Labor hours
Set-up costs	54,000	Number of production runs
Quality control	49,200	Number of production runs
Receiving materials	64,800	Number of components receipts
Packing materials	<u>36,000</u>	Number of customer orders
	<u>390,000</u>	

Information on the cost driver is given as follows:

	P	Q	R
Direct labour hours per unit	1	1½	1
Machine hours per unit	½	1	1½
Number of components per unit	3	5	8
Number of component receipts	18	80	64
Number of customer orders	6	20	10
Number of production runs	6	16	8

Required:

Using activity based costing (ABC) show the cost and gross profit per unit for each product during the period.

11 marks

QUESTION TWO

- Explain the role of bench marking within the cost management framework. 5 marks
- Outline the main features of Just in Time philosophy. 5 marks
- Explain the importance of accounting controls. 10 marks

QUESTION THREE

Discuss the following models showing their objective in the performance of business organization today

- Target setting and performance appraisal. 5 marks
- Management by Objectives. 5 marks

- iii) The balance score card. 5 marks
- iv) Management by crisis. 5 marks

QUESTION FOUR

- a) Compare and contrast traditional cost systems with activity based systems. 5 marks
- b) Discuss the advantages and disadvantages of ABC. 10 marks
- c) Differentiate between performance management and performance measurement. 5 marks

QUESTION FIVE

- a) Explain the following operations with relevant examples as used in Management accounting today.
 - i) Activity based management 5 marks
 - ii) Cost of quality operations 5 marks
 - iii) Target costing 5 marks
- b) Outline five advantages of zero based budgeting system in a company. 5 marks