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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR SECOND YEAR, SECOND SEMESTER EXAMINATION FOR THE DIPLOMA IN ACCOUNTING

Date: 8th August, 2024 Time: 11.30am –1.30pm

DAC 1506 ADVANCED MANAGEMENT ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS QUESTION ONE (30 MARKS)

a) XYZ is a product manufactured by ABC Ltd. For every ton of material consumed, it is estimated that 200 units of royal XYZ would be produced. The standard price of the material is Ksh 30,000 per ton. In June 2022, 220 tons of materials were issued to production, the actual price of which was Ksh 20,200 per ton. Production during that month was 120,000 units of XYZ.

Required:

	i) Material Cost Variance (MCV)	(4 Marks)			
	ii) Material Price Variance (MPV)	(4 Marks)			
	iii) Material Usage Variance (MUV)	(4 Marks)			
b)	Explain 3 Components of responsibility Accounting	(6 Marks)			
c)	Elaborate 3 importance of cost estimation	(6 Marks)			

 d) Decision Making is the process of ident choosing among alternative courses of action to resolve a problem or capitalize on an opportunity. Explain Steps Involved in Decision making process

(6 Marks)

QUESTION TWO (20 MARKS)

a) The following costs were incurred by XYZ limited company for a specified period.

	Sh
Direct material	40,000 (variable)
Direct labour	22,000 (variable)
Rent	50,000 (Fixed)
Electricity	90,000 (Variable is 20,000)
Salaries	200000 (fixed)

Required:

- b) Develop a predictive equation using the account analysis method assuming an activity level of 120units (6 Marks)
- c) Discuss Six factors to consider when selecting a performance measure
- d) Discuss 4 objectives of transfer pricing

(6 Marks)

(8 Marks)

QUESTION THREE (20 MARKS)

<u>a</u>)	A company respectively annual fixe Required:	y produces two products X and Y which are sold y. The variable costs per unit are Sh.900 and Sh. bd cost is estimated at Sh.15,000,000.	at Sh.4000 and Sh.5,000 j 1,500 for X and Y respect	per unit ively. The		
	i) Determine the break-even number of units assuming the sales mix ratio for X and Y is:5:2					
	ii) What wi ratios of	ill be the sales volume required to generate a pro-	fit of Sh.8,000,000 assum	(3 Marks) ing sales mix (3 Marks)		
	iii) How m	uch profit will the company make by each mix it	f the sales volume is 30,00	00 units?		
b)				(3 Marks)		
c)	State any fo	our tools of management accounting	15	(6 Marks)		
<u>0</u>	UESTION F	FOUR (20 MARKS)				
a)	Distinguish Consider th	al Accounting	(6 Marks)			
	Month	Machine hours in production departments	Maintenance departme	ent's costs		
	April	700	450			
	May June	1,300	030 750			
	July	1,800	850			
	Required:					
	i) Determine the cost estimation equation using:					
	a. High-lov		(4 Marks)			
	b. Regression analysis			(6 Marks)		
ii) Using the regression function, estimate the maintenance costs that would have been inc						
	machine	e hours were expected to be 900 in the month of I	May	(4 Marks)		
<u>QI</u>	UESTION F	FIVE (20 MARKS)				
a) Explain three methods for decision making under conditions of certainty (6)						
b)	b) Discuss Steps taken in Responsibility Accounting (6 Mark					
c)	The follow	ing is a set of details extracted from the books of U_{1} is $U_{1} = 5.000$	t ABC trader.			
Selling price per Unit Ksh 5,000						
	Direct ma					
	Direct lab	or unit cost Ksn 800				
	Variable n					
	Variable marketing Ksh /00					
	Fixed manufacturing overhead Ksh 1,100, 000					
Re	equired:					
i) (Calculate the	e level of profits in the following independent sit	uations.			
1. The level of output at 3,000 units (2)						
2. The level of output 600 units(2 M)						
ii) Calculate break-even point in shillings						

(2 Marks)

iii)Calculate the break-even point in units