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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOR THE DEGREE OF BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

Date: 4th August, 2022
Time: 2.30pm –4.30pm

SPECIAL EXAMINATION

KBA 2314 - MANAGEMENT ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain three considerations that a company may consider when making pricing decisions (6 mks)
- b) Explain any three factors that may contribute to a positive price variance (6 mks)
- c) Explain any three objectives of internal pricing (6 mks)
- d) Differentiate between a fixed and a flexible budget (6 mks)
- e) Explain any three limitations of standard costing (6 mks)

QUESTION TWO (20 MARKS)

- a) Explain the challenges associated with performance measurement and control (10 mks)
- b) Explain any three pricing methods clearly stating the advantages and disadvantages of each method (10 mks)

QUESTION THREE 20 MARKS)

- a) A company has three divisions which deal with different product lines and each has costs as follows

	Div A	Div B	Div c
Selling price	540	610	480
Variable costs	280	310	340

In addition to the above costs the company has fixed costs that may relate to a department on its own or shared among the three departments. In the month of December the company produced and sold 100,000 220,000 and 180,000 respectively. The fixed costs for individual departments amounted to ksh 12,500,000, 32,000,000 and 23,500,000 for the three divisions respectively. In addition fixed costs that were to be shared among the divisions amounted to ksh 33,000,000 which were to be shared at the ratio of 3:2:1.

One of the managers is proposing that Division c be shut due to loss making. What is your position? Explain (10 mks)

- b) With relevant example define sunk costs and explain their relevance in managerial decision making(4mks)
- c) Explain the objectives of management accounting (6mks)

QUESTION FOUR 20 MARKS)

- a) Clearly distinguish between CVP analysis and BEP analysis (5 marks)
- b) What assumptions underlie the CVP analysis and what is their effective implication? (5mks)
- c) The following data relates to a company in the region

Product	TIN	TAN	TON
Selling Price	50	65	45
Variable costs	40	50	32
Contribution	10	15	13
Fixed Costs			480,000

The company has approached you on whether to adopt a proposal to change the product mix from the current 2:1:1 to 1:1:2. Explain your answer in detail and using supporting analysis (10 mks)

QUESTION FIVE (20 MARKS)

- a) Outline four main standards that an organization could employ in its standard costing system. (4 marks)
- b) The following data relates to the production of product Zena in Zimali Limited for the month of December 2014:

Inputs:	Standard Quantity (units)	Standard Price (shs)	Standard Cost Limit (shs)
Materials	3 kg	4	12
Direct Labour	2.5 hours	14	35
Variable Overheads	2.5 hours	3	7.50

During the month, 6,500 kg of raw materials were purchased at shs.3.80 per kg and all the material was used to produce 2000 units of Zeena.

4,000 hours of direct labour time were used at a total cost of shs64,350. The actual variable overhead cost was Shs.13,950.

Required:

- (i) The Material Variances (4 marks)
- (ii) Labor Variances. (4 marks)
- (iii) Variable Overhead Variance (4 marks)
- Show all your workings
- (iv) Indicate four possible causes of unfavorable material variance. (4 marks)