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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FOR THE DIPLOMA IN PROCUREMENT & SUPPLIES
MANAGEMENT
DAC 1503 MANAGERIAL ACCOUNTING
SPECIAL EXAMS

Date: 24TH SEPT, 2024
Time: 2.30-4.30PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Financial accounting and managerial accounting are amongst the branches of accounting. Provide **FIVE** instances in which the two differ. (5 Marks)
- b) Organizations pay their employees different rates due to various issues related to labour market. Highlight **FOUR** reasons for labour variance in Kenya today (4 Marks)
- c) A company at the city currently produces 11,250 units per week. The analysis of costs for this level of production is as follows

| | Sh |
|---|--------|
| Direct Material Costs (variable) | 33,750 |
| Direct Labour costs (variable) | 22,500 |
| Repair and maintenance (25% fixed) | 30,000 |
| Sales promotion and advertising (40% fixed) | 56,250 |
| Depreciation of equipment (fixed) | 16,875 |

Required:

- i. Determine the total cost function $Y = a + bx$ (7 Marks)
- ii. Compute the total costs at 22,500 units (3 Marks)
- d) Briefly explain **THREE** objectives of budgetary control to an organization. (6 Marks)
- e) Highlight **FIVE** assumptions of CVP Analysis in an institute. (5 Marks)

QUESTION TWO (20 MARKS)

- a) Examine **THREE** differences between the concept of standard costing and budgetary control (6 Marks)
- b) There are several methods of cost estimations that may be used by management accountant while reporting to the management for decision making purposes. Provide **TWO** reasons **for** and **against** regression method. (4 Marks)
- c) Differentiate the following terms:
- i. Profit centre and cost centre (2 Marks)
- ii. Zero based budgeting and incremental budgeting (2 Marks)
- iii. Basic standards and ideal standards (2 Marks)
- d) Highlight **FOUR** differences between absorption costing and marginal costing. (4 Marks)

QUESTION THREE (20 MARKS)

A company has the following data relating the number of units produced and overhead cost incurred

| Month | Output(Machine Hours) | Overhead Expenses |
|-----------|-----------------------|-------------------|
| July | 75 | 2,250 |
| August | 90 | 2,520 |
| September | 105 | 2,790 |
| October | 140 | 3,435 |
| November | 110 | 2,895 |
| December | 130 | 3,275 |

- a) Formulate predictor equation in the form $y=a+bx$ using:
- High-low method (6 Marks)
 - Regression analysis. (10 Marks)
- b) Using regression equation obtained estimate the overhead costs that will be incurred with output level in January is expected to be 125 (2 Marks)
- c) If the maximum overhead cost has been set at sh 8500 what is the maximum output level using regression equation obtained. (2 Marks)

QUESTION FOUR (20 MARKS)

- a) Briefly explain **FIVE** importance of management accounting to an organization. (5 Marks)
- b) A company has budgeted sales revenue as follows:

| Month | Credit sales | Cash sales | Total Sales |
|----------|--------------|------------|-------------|
| January | 675,000 | 450,000 | 1,125,000 |
| February | 625,000 | 1,275,000 | 1,900,000 |
| March | 450,000 | 975,000 | 1,475,000 |

From the past experience,

- 60% will be collected in the month of sale
- 40% will be collected in the following month.

Budgeted purchase of inventory is:

| Month | Amount |
|----------|-----------|
| January | 1,500,000 |
| February | 1,200,000 |
| March | 525,000 |
| | |

Purchase of inventory are all on credit and 50% is paid in the month of purchase and 50% in the month following purchase.

Additional information:

- Selling and administrative expenses Sh. 240,000 are to be paid each month.
- Turn over tax is paid 1% on total sales on the month following month of sale.
- Dividends of Sh. 215,000 will be paid in February.
- Purchase of equipment in March Sh. 150,000.

The beginning balance on 1st February is Sh. 250,000.

Required:

Prepare cash budgets for the month of February and March.

(15 Marks)

QUESTION FIVE (20 MARKS)

- a) The following details are given in relation to a manufacturing business.

- Selling price per unit Sh. 65.
- Variable cost per unit Sh. 30.
- Fixed costs Sh. 355,000.

Required:

- Calculate the break-even sales in shillings.

(2 Marks)

- ii. If the manager desires a profit of Sh 155, 000, how much must he sell to achieve this? (3 Marks)
- iii. The manager desires to cover additional fixed cost of Sh. 205,000. How much additional quantity will be required to cover the additional fixed cost? (3 Marks)
- b) ABC ltd provided the following information for the year 2023.
- | | |
|-------------------------|-------------|
| Direct materials | Sh. 150,000 |
| Direct labour | Sh. 105,000 |
| Production overheads: | |
| Variable | Sh. 45,000 |
| Fixed | Sh. 75,000 |
| Research & Development; | |
| Fixed | Sh. 40,000 |
| Variable | Sh. 20,000 |
- The company produced 15,000 Units and sold 10,000 units at Sh. 45 per unit.
- Required:**
- Prepare profit statement using Marginal costing. (7 Marks)
- c) Highlight **FIVE** benefits of coming up with budgets in an organization. (5 Marks)