



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, FOURTH SEMESTER
FOR THE DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DAC 1503 – MANAGEMENT ACCOUNTING

Date: 20th April, 2022
Time: 2.30 am – 4.30 am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Differentiate between financial accounting and managerial accounting. (5 Marks)
- b) Differentiate between budgeting and budgetary control. (4 Marks)
- c) Discuss any five weaknesses of financial accounting as opposed to managerial accounting. (5 Marks)
- d) Differentiate between a cost unit, cost center and a profit center. (6 Marks)
- e) The following information is given in relation to the operations of Kirungii Enterprises Ltd

Selling price per unit Sh. 100

Variable cost per unit Sh. 50.

Fixed costs Sh. 600,000

Required

- i) Calculate the break-even point. (6 Marks)
- ii) If a profit of Sh. 1,200,000 is desired calculate the turnover that would have to be achieved to realize this. (4 Marks)

QUESTION TWO (20 MARKS)

- a) For any business organization liquidity is more important than profitability. Discuss. (10 Marks)
- b) Differentiate between a budget and a standard. (4 Marks)
- c) Explain the concept of a key factor in budgeting? (3 Marks)
- d) Explain the concept of the break-even point. (3 Marks)

QUESTION THREE (20 MARKS)

Gabi Ltd incurred the following costs in the first quarter of 2021

	Shs.
Direct material per unit	100
Direct Labour per unit	70
Variable Production overhead per unit	30
Fixed production overhead	200,000
Fixed selling and administration expenses	600,000

The company produced 20,000 units and sold 15000 units at price of Shs. 350 per unit.

Required

- i) Prepare income statement under absorption costing (8 Marks)
- ii) Prepare incoming statement under marginal costing (8 Marks)
- iii) Prepare a reconciliation statement for the absorption and marginal costing profit (4 Marks)

QUESTION FOUR (20 MARKS)

The opening cash balance on 1st January was expected to Shs30,000. The sales budgeted was as follows;

<u>Month</u>	<u>Amount (Shs.)</u>
November	80,000
December	90,000
January	75,000
February	75,000
March	80,000

Analysis of records shows that debtors settle according to the following pattern:

- 60% within the month of sale
- 25% the month following month of sale
- 15% two months after sale

Extracts from the Purchases budget were as follows:

<u>Month</u>	<u>Amount (Shs.)</u>
December	70,000
January	55,000
February	65,000
March	75,000

- All purchases are on credit and past experience shows that 90% are settled in the month of purchase and the balance settled the month after.
- Wages are Shs. 18,000 per a month while overheads average 25% of the monthly turnover.
- Taxation of Shs. 8,000 is to be settled in February in addition to insurance claim the company must settle in March for Shs. 25,000.

Required:

Cash budget for January, February and March

(20 Marks)

QUESTION FIVE (20 MARKS)

The following were recorded for 6 months during production

		Maintenance
Month	Machine	Costs
	Hours	Shs.
January	250	1250
February	300	1400
March	350	1550
April	450	1910
May	370	1610
June	420	1760

Required

- (a) Determine the cost estimation function using:
- (i) High-low method. (5 Marks)
- (ii) Regression analysis. (9 Marks)
- (b) Using the regression function estimate the maintenance costs that will be incurred if the machine hours is expected to be 380 in the month of July (3 Marks)
- (c) If the limit of maintenance cost has been set at Shs. 2000 what is the maximum number of machine hours is expected to operate. (3 Marks)