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
FOR THE DIPLOMA OF ACCOUNTING
DAC 1506 - ADVANCED MANAGEMENT ACCOUNTING

Date: 20th April, 2022
Time: 8.30 am –10.30am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTIONONE (COMPULSORY) AND ANYOTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

a)   Describe the assumptions of the cost, volume and profit analysis method.   (6 Marks)

b)   Despite their importance in the corporate world, budgets also have some weaknesses. List some of the limitations of budgets.   (6 Marks)

c)   Identify the characteristics of a good key performance indicator.   (6 Marks)

d)   Outline the identifying features of management accounting information.   (6 Marks)

e)   Highlight the distinguishing characteristics between financial accounting and management accounting
                                                                                   (6 Marks)

QUESTION TWO (20 MARKS)

a)   Management accounting utilizes various tools to help managers make better decisions. Using appropriate examples in each, discuss the various categories of management accounting tools and techniques.   (10 Marks)

b)   Responsibility accounting is a key technique used in evaluating firm performance. Make short notes on responsibility accounting and describe the advantages of responsibility accounting.   (10 Marks)

QUESTION THREE (20 MARKS)

a)   Discuss the importance of budgetary control as discussed in management accounting.   (10 Marks)

b)   Express Logistics Ltd. is considering starting a new project for which it has gathered the following data on expected cash flows and the likelihood of the success of the project under various economic conditions:

Cash flow	Probability
30,000	Very good = 0.1
60,000	Good = 0.4
120,000	Bad = 0.4
150,000	Very bad = 0.1

Calculate the cash flows that Express Ltd. should expect to realize and advise them on whether to take on the project or not.   (5 Marks)

c)   When deciding the variances to investigate, the firm should look into a number of factors. Explain the factors to consider when identifying variances. (5 Marks)

QUESTION FOUR (20 MARKS)

a)   Mary is a farmer intends on planting beans and is considering two options. First, she can either apply fertilizer to her farm when planting the beans or not. If she applies fertilizer and the rains don't come, she will make major loses and earn only Ksh. 4 million as the beans will be destroyed by the fertilizer. If she applies the fertilizer and it rains, then she will make gain and realise a profit of Ksh. 10 million. If she grows the beans without fertilizer, she will earn Ksh. 7.5 million whether it rains or not. The chance of rains occurring is 50%. Assuming the farmer is risk averse, which decision or option should she take? Support your response with relevant illustrations and computations. (10 Marks)

b)   The balanced scorecard is tool used in measuring the performance of an individual, department or firm. Assess the four perspectives of an effective balanced scorecard. (10 Marks)

QUESTION FIVE (20 MARKS)

a)   ABC Ltd, a mask-making company is considering installing a machine which would produce 20,000 units for a variable cost of sh.5 per unit. These units would sell for sh.7 each. Additional space would have to be rented at a cost of sh.50, 000. With the help of calculations, determine whether the company should take on this project? (5 Marks)

b)   Z-corner Ltd makes a product code name Hwang Yu which they sell at shs25 per unit. The current monthly output is 20000 units representing 100% capacity utilization. The company has received an order of 2000 units which can be satisfied by working overtime during the month. The sales of the new order will be Shs48000. The total costs for last month were shs420000 which include a fixed cost of shs70000. If the special order is taken, then the variable cost per unit will increase by 20% while the fixed costs will remain unchanged. Advice the company on whether to take the special order or not supporting your answer with relevant calculations. (10 Marks)

c)   When deciding the variances to investigate, the firm should look into a number of factors. Explain the factors to consider when identifying variances. (5 Marks)