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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
DAC II/DBF IV/DBA IV/DHR IV/ DPS IV-MAY AUGUST 2022
DAC 1503 – MANAGERIAL ACCOUNTING

LECTURERS-DAVID MWAURA, CEASAR CHEMAI, DR WASIKE

INSTRUCTIONS TO CANDIDATES
ANSWER QUESTION ONE (COMPULSORY) AND ANYOTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

a) Highlight 6 areas in which managerial accounting is useful (6 marks)
b) Differentiate between absorption costing and marginal costing (6 marks)
c) A company produced 1500 units of its product in the month of June 2022. On analysis of the costs the company incurred a total of Sh 656,250 out of which 80% is variable.

Required

i. Establish the cost function in form of Y=a+bx (4 marks)
ii. Estimate cost of producing 1700 units expected to be produced in September (3 marks)

d) Highlight 5 reasons for direct material prices variances (5 marks)
e) Explain the concept of a key factor in budgeting (3 marks)
f) Explain the concept of the break-even point. (3 marks)

QUESTION TWO (20 MARKS)

a) Identify and explain four types of standards (8 marks)
b) Explain the following terms
   i. Zero based budgeting (2 marks)
   ii. Engineering method of cost estimation (2 marks)
   iii. Cost behavior (2 marks)

c) X ltd had budgeted sales as follows

Product	Selling price(sh)	Units to be sold
A	40	3000
B	50	4000

Required
Prepare sales budget for X ltd (2 marks)

d) A unit is assumed to require 160 kgs. of material costing Sh 3 per kg. On completion of the production of a unit it was found that 150 kgs. of material costing Sh 3.50 per kg. has been consumed. Calculate direct material price and usage variance. (4 marks)

QUESTION THREE (20 MARKS)

a) What are the assumptions of cost volume profit analysis (6 marks)

b) Chalo Ltd incurred the following costs in the first quarter of 2022

	Sh
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	400,000

The company produced and sold 15,000 units of its product at price of Sh 350 per unit.

Required

i. Prepare income statement under absorption costing approach (6 marks)
ii. Calculate the break-even point in units and value (5 marks)
iii. If a profit of Sh 2,400,000 is desired calculate the units and turnover (sales) that would have to be achieved to realize this. (3 marks)

QUESTION FOUR (20 MARKS)

a) Differentiate between budget and budgetary control (4 marks)

b) Syoki Company has budgeted sales revenue as follows:

	June	July	August
	Sh	Sh	Sh
Credit sales	135,000	125,000	90,000
Cash sales	90,000	255,000	195,000
Total Sales	**225,000**	**380,000**	**285,000**

From past experience 60% of credit sales will be collected in the month of sale and the remaining 40% will be collected in the following month. Purchase of inventory are all on credit and 50% is paid in the month of purchase and 50% in the month following purchase. Budgeted purchases of inventory are:

	Sh
June	300,000
July	240,000
August	105,000

Other past disbursements budgeted:

i. Selling and Administrative expenses Sh 48,000 to be paid each month
ii. Turnover tax is paid at 1% on total sales on the month following month of sale.

iii. Dividends of Sh 43,000 will be paid in July
iv. Purchase of equipment in August Sh 30,000

The beginning balance at 1 July is Sh 50,000

Required
Prepare cash budget for the months of July and August (16 marks)

QUESTION FIVE (20 MARKS)

Maluke Farm would like to establish a cost formula linking the farm costs involved to maintain a number of cattle herd per month. The following data collected for the last eight months.

Month	Number of Cattle	Associated cost Sh
May	18	14,700
June	19	15,200
July	17	13,700
August	16	14,000
September	15	14,300
October	13	13,100
November	11	12,800
December	15	14,600

i. Estimate the relationship between number of cattle and cost associated in form of Y= a+bx using
   a. High low method (5 marks)
   b. Regression method (10 marks)
ii. If the proprietor intends to increase the cattle herd to 200 cattle estimate the cost of maintaining the cattle using regression equation. (3 marks)
iii. Which of the two methods provide a better cost estimator and why? (2 marks)