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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2017/2018 ACADEMIC YEAR
DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DAC 1503- MANAGERIAL ACCOUNTING

Date: 14th August 2018
Time: 11.00Am- 1.00Pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain the difference between management and financial accounting (5Marks)
- b) Explain types of cost (7Marks)
- c) Assume that the product manager of ABC Ltd is concerned about the apparent fluctuations in efficiency and therefore work done by employees which are related to the volume. The result of this in most 12 weeks research carried out is as shown below;

Week	Machine hours (cost driver)	Indirect labour costs
		Kshs
1.	70	1,190
2.	88	1,211
3.	65	1,004
4.	71	917
5.	60	770
6.	97	1,456

7.	76	1,180
8.	45	710
9.	82	1,316
10.	94	1,032
11.	66	752
12.	50	963

Required:

Using Regression model determine the labour cost associated with 80 machine hours (8 Marks)

- d) XYZ Company wishes to manufacture a product with a learning curve effect of 80%. The amount of time needed to produce the first product is 110 hours

Required:

If direct manufacturing labour cost is shs 20 per hour and related overheads are shs 30 per hour

- i) What is the cost of producing the first 9 products? (5 Marks)
- ii) What is the cost of producing an additional 10 products? (5 Marks)

QUESTION TWO (20 MARKS)

Assume that a company intends to sale product in the market, at a selling price of shs 9 per unit. The variable cost is shs 5 per unit and the total fixed cost is shs 2,000

Required:

- a) Compute the break- even point in units and shillings (5 Marks)
- b) Assume the company intends to make a profit before tax of 20% of sales, determine the number of units that must be sold (5 Marks)
- c) Assume that the corporate tax rate is 30% and the company as a target profit of 1640 after tax. Compute the number units that must be sold to earn this target profit (5 Marks)
- d) If the company expects to sale 600 units, compute the margin of safety (5Marks)

QUESTION THREE (20MARKS)

The following information relates to Auka Company

Decision Alternatives	Possible future demand with probabilities		
	Low (0.4)	Moderate (0.6)	High (0.30)
Small facility	Kshs 11	Kshs 11	Kshs 11
Medium facility	Kshs 8	Kshs 13	Kshs 13
Large facility	Kshs (5)	Kshs 3	Kshs 17

Required

Make decision using:

- i) Maximin regrets criteria (5 Marks)
- ii) Minimax regrets criteria (5 Marks)
- iii) Laplace regrets criteria (5 Marks)
- iv) Minmax regrets criteria (5 Marks)

QUESTION FOUR (20MARKS)

A company is considering whether to develop a new product or consolidate existing product. New product development can either be undertaken through thorough development at a cost of shs 150,000 or through rapid at a cost of shs 80,000 while product consolidation can either be achieved through strengthening the products at a cost of shs 30,000 or through reaping the products at no cost extra cost. The following are the expected outcomes, accompanying probabilities and the projected for the options.

	Thorough development			Rapid development			Strengthening product			Reaping product	
	good	mod	Poor	good	mod	poor	good	mod	Poor	good	poor
Probabilities	0.4	0.4	0.5	0.1	0.2	0.7	0.3	0.3	0.4	0.6	0.4
Revenues	100000	50000	2000	1000000	50000	2000	40000	20000	6000	2000	2000

Should the company develop a new product or consolidate existing product?

20 Marks)

QUESTION FIVE (20MARKS)

a) A company produces a single product. The following is the budget for the product

Budget

- i) Selling price shs 10
- ii) Direct material cost per unit shs 3
- iii) Direct wages per unit shs 2
- iv) Variable overhead per unit shs 1
- v) Fixed production overhead shs 10,000
- vi) Production volume 5,000 units per month

Actual

- i) Production 6,000 units
- ii) Sales 4,800 units
- iii) Assume that all costs were as budgeted

Required: Prepare a profit statement using:

- i) Absorption costing (5Marks)
- ii) Marginal costing (5Marks)