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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**FIRST YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN**  
**DAC 1503- MANAGERIAL ACCOUNTING**

Date: 16<sup>TH</sup> DECEMBER 2022  
Time: 11:30am-1:30pm

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) Differentiate between Managerial accounting and Financial accounting. (4 Marks)  
b) Discuss three types of budgets. (6 Marks)  
c) Discuss limitations of managerial accounting. (6 Marks)  
d) Sukari company 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 7 weeks research carried out is as shown below;

Week	Machine hours (cost driver) costs	Indirect labour kshs
1.	65	2000
2.	90	1,235
3.	68	1,150
4.	60	980
5.	64	778
6.	92	1,456

**Required:**

Using the regression model determine the labour cost associated with 80 machine hours.

(8 Marks)

- e) Discuss the concerns for Engineering methods in cost estimation. (6 Marks)

**QUESTION TWO (20 MARKS)**

- a) Explain the meaning of the following terms as used in managerial accounting:  
i) Master budget (2 Marks)  
ii) CVP analysis (2 Marks)  
b) Explain THREE assumptions of a CVP analysis. (6 Marks)  
c) A company produces a single product. The following is the budget for the product Budget;  
• Selling price shs 10  
• Direct material cost per unit shs 3  
• Direct wages per unit shs 2  
• Variable overhead per unit shs 1  
• Fixed production overhead shs 10,000  
• Production volume 5,000 units per month Actual  
✓ Production 6,000 units  
✓ Sales 4,800 units

**Required:**

Prepare a profit statement using:

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

**QUESTION THREE (20 MARKS)**

The opening cash balance for Mali Ltd on 1 January was expected to be sh.30, 000. The sales budgeted were as follows:

	sh.
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.  
 65% within the month of sale.  
 25% the month following.  
 10% the month following.
- Extracts from the purchases budget were as follows:

	sh.
December	60,000
January	55,000
February	45,000
March	55,000

- All purchase are on credit and past experience shows that 90% are settled in the month of purchase and the balance settled the month after.
- Wages of 15,000 are paid to employees every month.
- Company assets are depreciated at sh 15,000 p.m on straight line method.
- Taxes of sh.8, 000 has to be settled in February and the company will receive settlement of an insurance claim of sh.25, 000 in March.

**Required:**

Prepare a cash budget for;

- i) January (8 Marks)  
 ii) February (6 Marks)  
 iii) March. (6 Marks)

**QUESTION FOUR (20 MARKS)**

Spinkit Ltd intends to sale sweaters in the market, at a selling price of shs 10 per unit. The variable cost is shs 7.

Per unit and the total fixed cost is shs 3,000.

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 1800 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. (5 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Discuss the role of management accounting in the management process. (6 Marks)  
 b) Discuss the causes of variance that must be understood by management accountants. (8 Marks)  
 c) Discuss the limitation of a budgets and budgetary control systems. (6 Marks)