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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2012/2013 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 16th April, 2013
Time: 9.00am – 11.00am

KAC 102 – INTRODUCTION TO MANAGEMENT ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Write short notes on the following;
- i) Managerial accounting
 - ii) Cost accounting
 - iii) Financial accounting (9 Marks)
- b) The senior executives concentrate most on the 'managerial accounting'. Discuss this statement. (4 Marks)
- c) Explain the following elements in managerial accounting;
- i) Accountability concept
 - ii) Controllability concept (6 Marks)
- d) i) Explain the term cost behavior patterns. (3 Marks)
- ii) Using the following data. Draw a graph of fixed cost per unit on the y axis against number of units produced on the x axis. (6 Marks)

Total fixed cost	\$ 30,000	\$ 30,000	\$ 30,000
Units produced	5000	10000	150000
Fixed cost per units	\$6.00	\$3.00	\$2.00

- e) Define the term expenditure decisions. (2 Marks)

QUESTION TWO (20 MARKS)

Draw at least four contrasts between the following;

- a) Cost accounting and managerial accounting. (4 Marks)
- b) Financial accounting and managerial accounting. (4 Marks)
- c) Explain four attributes of good management accounting system. (8 Marks)
- d) Explain the term planning of the firm in managerial accounting functions. (4 Marks)

QUESTION THREE (20 MARKS)

- a) Explain the following terms in costing;
 - i) Direct materials
 - ii) Direct labour
 - iii) Direct expenses
 - iv) Indirect manufacturing costs
 - v) Carriage inwards (10 Marks)
- b) The following information of manufacturing company was extracted from XY Company

January 2007, inventory of raw materials	8000
31 December 2007 inventory of raw material	10500
1 January 2007 work in progress	3500
31 December 2007 work in progress	4200
year to 31 Dec. 2007	
Wages: Direct	39600
Indirect	2500
Purchase of raw materials	87000
Fuel and Power	9900
Lubricants	3000
Carriage inwards on raw materials	2000
Rent of factory	7200
Deprecation of factory plant and machinery	4200
Internal transport expenses	1800
Insurances of factory buildings and plant	1500
General factory expenses	3300

From the figures given

- i) Calculate the cost of the raw materials consumed. (4 Marks)
- ii) Prime cost = Direct wages + direct expenses + cost of materials consumed. Calculate the prime cost. (3 Marks)
- iii) Calculate the indirect manufacturing costs. (3 Marks)

QUESTION FOUR (20 MARKS)

- a) State the meaning of the following term ‘cost estimate’. (3 Marks)
- b) Write short notes on the following cost estimates
 - i) Planning estimates
 - ii) Budget estimates
 - iii) Firms estimates
 - iv) Not – to – exceed / not less than estimate (12 Marks)
- c) Explain the three essentials requirements for methods of costing system (5 Marks)

QUESTION FIVE (20 MARKS)

- a) Write short notes on the following costing systems
 - i) Standard costing
 - ii) Absorption costing
 - iii) Marginal costing
 - iv) Machine hourly costing (12 Marks)
- b) Explain the term General Selling (G.S) and Administrative Cost (A.C). (3 Marks)
- c) Albany Bibs and Bobs have decided to make clothes for young babies. They have signed a new contract with major retailers for their clothes and need to calculate the cost price of the clothes.

The direct material to make the clothes is \$ 7.50

The direct labour paid to make clothes is \$ 16.00

The business has estimated that its factory overhead for the next 12 months will be \$ 15000. The business believes that it will have 6000 direct labour hours over the time period and aims to have a profit margin of 30 %

Calculate the cost price of the clothes.

(5 Marks)