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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR FIRST YEAR, FOURTH SEMESTER EXAMINATION FOR THE DIPLOMA IN ACCOUNTING

DAC 1505: ADVANCED MANAGEMENT ACCOUNTING

Date: 7TH DECEMBER 2023 Time: 11:30AM-1:30PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS QUESTION ONE (30 MARKS)

A) Distinguish Between Management Accounting and Financial Accounting (6 Marks) Consider the information below:

Month	Machine hours in production departments	Maintenance department's costs
April	700	450
May	1,300	650
June	1400	750
July	1,800	850

Required

a) Determine the cost estimation equation using

1)	High-low method	(4 Marks)
ii)	Regression analysis	(6 Marks)

- iii) Using the regression function to estimate:
- iv) The maintenance costs that would have been incurred if the machine hours were expected to be 900 in the month of May (4 Marks)
- B) Define Transfer Pricing and Discuss 3 objectives of transfer pricing (6 Marks)
- C) Elaborate 2 types of Decision making under risk and uncertainty (4 Marks)

QUESTION 2 (20 MARKS)

- A) Cost Volume Profit Analysis is a model used to determine the break-even point Discuss 4
 Assumptions of Cost Volume Profit Analysis (8 Marks)
- B) ABC is a product manufactured by XYZ Ltd. For every ton of material consumed, it is estimated that 400 units of royal ABC would be produced. The standard price of the material is Ksh 20,000 per ton. In June 2022, 220 tons of materials were issued to production, the actual price of which was Ksh 18,200 per ton. Production during that month was 109,000 units of ABC.

REQUIRED:

(i) Material Cost Variance (MCV)	(3 Marks)
(ii) Material Price Variance (MPV)	(3 Marks)
(iii) Material Usage Variance (MUV)	(3 Marks)
C) State 3 advantages of High low method in cost estimation	(3 Marks)

QUESTION 3 (20 MARKS)

A) Explain 3 Components of responsibility Accounting (6 Marks)

B) The following is a set of details extracted from the books of Jasho Traders.

Selling price per Unit Ksh 5,000

Direct material unit cost Ksh 1,400

Direct labor unit cost Ksh 900

Variable manufacturing overhead Ksh 300

Variable marketing Ksh 800

Fixed manufacturing overhead Ksh 2,000, 000

Required:

i) Calculate the level of profits in the following independent situations.

1. The level of output at 1,000 units	(2 Marks)
2. The level of output 850 units	(2 Marks)
ii) Calculate break even point in shillings	(2 Marks)
iii)Calculate the break even point in units	(2 Marks)
C) Elaborate 3 importance of cost estimation	(6 Marks)

QUESTION 4 (20 MARKS)

A) Discuss 4 objectives of transfer pricing

(8 Marks)

B) The following costs were incurred by XYZ limited company for a specified period.

Direct material 20,000 (variable)
Direct labour 23,000 (variable)
Rent 40,000 (Fixed)

Electricity 80,000 (Variable is 20,000)

Salaries 100000 (fixed)

Required: Develop a predictive equation using the account analysis method assuming an activity level of 150units (6 Marks)

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C) Explain Steps Involved in Decision making process (6 Marks)

QUESTION 5 (20 MARKS)

Passion Fruit processors Ltd manufactures and retails one-litre cans of passion juice at Ksh 800 per can. For the month of April 2000, the company canned and retailed 1,350 cans for a net profit of Ksh 317,450 based on the cost structure:

	<u>Ksh</u>
Direct material - Flamoxyline: 10,800 litres @ Ksh 10.75	116,100
- Glamoxyline: 12,750 litres @ Ksh 9.80	124,950
Direct labour - 6,500 hours@ Ksh 24	156,000
Overheads	137,500
Factory cost	534,550
Variable operating expenses	96,000
Fixed operating expenses	132,000
Production cost	<u>762,550</u>

The company had budgeted for a production level of 1,800 cans to be retailed at Ksh 820 per can, whose level was expected to yield a profit of Ksh 758,000 based on the following budget:

	<u>Ksh</u>
Direct material - Flamoxyline: 10,000 litres @ Ksh 10	100,000
- Glamoxyline 12,000 litres @ Ksh 10	120,000
Direct labour hours 6000 hours @ Ksh 20	120,000
Overheads at 125% of direct labour	<u>150,000</u>
Factory cost	490,000
Variable operating expenses	108,000
Fixed operating expenses	<u>120,000</u>
Budgeted production cost	718,000

REQUIRED:

In columnar form and using production achieved prepare:

A) Actual profit and loss statement.	(6 Marks)
B) Flexible budget profit and loss statement.	(6 Marks)
C) Discuss 4 types of stardard costing	(8 Marks)