



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P.O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

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

i) 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.

	Sh
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)

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

