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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 1506: ADVANCED MANAGEMENT ACCOUNTING

Date: 14TH APRIL 2023
Time: 11:30AM-1:30PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- Define what is management Accounting and explain what is the purpose of management accounting. (5 Marks)
- Elaborate 3 importance of cost estimation (6 Marks)
- Discuss 3 types of standard costing (6 Marks)
- Highlight 2 components of responsibility accounting (4 Marks)
- Discuss 3 transfer Pricing Methods used in organization (4 Marks)
- The following costs were incurred by XYZ limited company for a specified period.

Sh

Direct material	10,000 (variable)
Direct labour	15,000 (variable)
Rent	50,000 (Fixed)
Electricity	70,000 (Variable is 20,000)

Required:

Develop a predictive equation using the account analysis method assuming an activity level of 450 units. (5 Marks)

QUESTION TWO (20 MARKS)

Consider the information below:

Month	Machine hours in production departments	Maintenance department's costs
January	800	350
February	1,200	350
March	400	150
April	1,600	550

Required

- Determine the cost estimation equation using
 - High-low method (4 Marks)
 - Regression analysis (5 Marks)
- Using the regression function to estimate:
 - The maintenance costs that would have been incurred if the machine hours were expected to be 900 in the month of may 2014 (3 Marks)
- Discuss 4 Assumptions of Cost Volume Profit Analysis (8 Marks)

QUESTION THREE (20 MARKS)

- a) Discuss Steps taken in Responsibility Accounting (6 Marks)
b) The following is a set of details extracted from the books of Waita Traders.

Selling price per Unit Ksh 4,000
Direct material unit cost Ksh 1,200
Direct labor unit cost Ksh 600
Variable manufacturing overhead Ksh 400
Variable marketing Ksh 500
Fixed manufacturing overhead Ksh 1,000, 000

Required:

- i) Calculate the level of profits in the following independent situations.
1. The level of output at 2,000 units (2 Marks)
2. The level of output 750 units (2 Marks)
ii) Calculate break even point in shillings (2 Marks)
iii) Calculate the break even point in units (2 Marks)
c) State 3 advantages of High low method in cost estimation (3 Marks)
d) State 3 disadvantages of responsibility accounting (3 Marks)

QUESTION FOUR (20 MARKS)

- a) X73 is a product manufactured by MNO Ltd. For every ton of material consumed, it is estimated that 500 units of royal X73 would be produced. The standard price of the material is Ksh18,000 per ton. In July 2022, 210 tons of materials were issued to production, the actual price of which was Ksh 17,200 per ton. Production during that month was 108,000 units of X73.

REQUIRED:

- i) Material Cost Variance (MCV) (2 Marks)
ii) Material Price Variance (MPV) (2 Marks)
iii) Material Usage Variance (MUV) (2 Marks)
b) Explain 3 Importance of Decentralization in organization (6 Marks)
c) Explain the differences between management accounting and Financial accounting (4 Marks)
d) State 4 limitation of CVP analysis (4 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss 2 objectives of transfer pricing (4 Marks)
b) Describe 2 advantages of Standard Costing (4 Marks)
c) Highlight Steps Involved in Decision making process (5 Marks)
d) Elaborate 2 types of Decision making under risk and uncertainty (4 Marks)
e) State 3 Components of responsibility Accounting (3 Marks)