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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER EXAMINATION
FOR THE DIPLOMA IN ACCOUNTING

Date: 12th April, 2024
Time: 2.30pm –4.30pm

DAC 1506 – ADVANCED MANAGEMENT ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Briefly explain the importance of management accounting to an organization. (5 Marks)
- b) Explain the assumption of cost volume profit analysis. (5 Marks)
- c) Discuss the benefit of standard costing to an organization (6 marks)
- d) A company makes a single product with a sales price of Sh. 10, and a marginal cost of sh.6 fixed costs are sh. 60,000 per annum.
- i. Number of units to break even (3 Marks)
- ii. Sales at break-even point (3 marks)
- iii. Number of units will need to be sold to achieve a profit of sh. 20,000 p.a (3Marks)
- iv. Discuss the ethical standards management accountants should practice when executing their duties (5 marks)

QUESTION TWO (20 MARKS)

The management accountant ABC Ltd made the following analysis of cost incurred to produce 1,000 units.

Cost element	Amount (shs)
Direct materials	400,000 (Variable)
Direct Labour	500,000 (Variable)
Depreciation	100,000 (Variable)
Rent	300,000 (Fixed)
Repairs and Sales promotion	600,000(1/3 is fixed)
Electricity and water	200,000 (50% variable)

Required

- a)
- i. Determine the variable cost per unit (4 Marks)
 - ii. Derive the total cost function (4 Marks)
 - iii. Estimate the total if 150,000 units are expected to be produced during next financial year (4 Marks)
- b) Differentiate the following:
- i. Controllable and uncontrollable costs (4 Marks)
 - ii. Product costs and period costs (4marks)

QUESTION THREE (20 MARKS)

- a) Discuss the differences between Management Accounting and Financial Accounting (6 Marks)

- b) ABC limited make four components for which costs in the coming year are given below

product:	W	X	Y	Z
Production units	1,000	2,000	4,000	3,000
	Shs.	Shs.	Shs.	Shs.
Direct material	4	5	2	4
Direct labour	8	9	4	6
Variable costs	2	3	1	2
Total variable cost per unit	14	17	7	12

Directly attributable fixed costs

To: product

W	-	Shs 1,000
X	-	Shs, 5,000
Y	-	Shs. 6,000
Z	-	Shs. 8,000

Sub contractor's price

W	-	shs. 12
X	-	Shs. 21
Y	-	shs. 10
Z	-	shs. 14

Committed fixed costs = Shs.30,000

Required

- i. Advise the company whether to buy or make the component (10 Marks)
- ii. What other factors will you consider in the decision above. (4 Marks)

QUESTION FOUR (20 MARKS)

The following data relates to Mwiho Ltd which processes a single data type of chemical. Overhead costs for processing is as follows.

Period	Output Unit (000)	Overhead costs Shs (000)
1.	120	770
2.	150	820
3.	160	810
4.	170	830
5.	200	960
6.	170	900
7.	200	940
8.	200	950
9.	180	940
10.	160	870
11.	140	800
12.	150	820
13.	140	790

Required:

- i. Device a linear equation to assist in the preparation of overhead budget for the 13 accounting periods (10 Marks)
- ii. Calculate the coefficient of correlation (6 Marks)
- iii. Determine the coefficient of determination (4 Marks)

QUESTION FIVE (20 MARKS)

a) Explain the term decentralization and explain why companies decentralize their operations (8 Marks)

b) The costs incurred in two periods are as follows: -

Period	Costs in shs,	units produced
1	25,000	2,000
2	30,000	2,500

Required:

Calculate the fixed cost and variable costs for these two periods (6 marks)

c) The material standard for one unit of product 'X' is $21\frac{1}{2}$ units at shs. 20 per unit. 16,000 units were bought at shs 18.50 per unit but only 15,000 units were used to produce 6,500 units of product 'X' 1,000 units of materials were at the end of the period.

Required:

Calculate:

- i. The material price variance (3 Marks)
- ii. The material usage variance (3 marks)