



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 WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
DRAFT EXAMINATION, JANUARY-APRIL 2024
DAC II/DBF IV/DBA IV/ DPS IV
DAC 1503 – MANAGERIAL ACCOUNTING

INSTRUCTIONS TO CANDIDATES:

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE

- Financial accounting and managerial accounting are amongst the branches of accounting. Provide **FIVE** instances in which the two differ. **(5 Marks)**
- Organizations pay their employees different rates due to various issues related to labour market. Highlight **FOUR** reasons for labour variance in Kenya today **(4 Marks)**
- A company at the city currently produces 11,250 units per week. The analysis of costs for this level of production is as follows

	Sh
Direct Material Costs (variable)	33,750
Direct Labour costs (variable)	22,500
Repair and maintenance (25% fixed)	30,000
Sales promotion and advertising (40% fixed)	56,250
Depreciation of equipment (fixed)	16,875

Required:

- Determine the total cost function $Y = a + bx$ **(7 marks)**
- Compute the total costs at 22,500 units **(3 marks)**
- Briefly explain **THREE** objectives of budgetary control to an organization. **(6 Marks)**
- Highlight **FIVE** assumptions of CVP Analysis in an institute. **(5 Marks)**

QUESTION TWO

- Examine **THREE** differences between the concept of standard costing and budgetary control **(6 Marks)**
- There are several methods of cost estimations that may be used by management accountant while reporting to the management for decision making purposes. Provide **TWO** reasons **for** and **against** regression method. **(4 marks)**
- Differentiate the following terms:

- i. Profit centre and cost centre (2 Marks)
- ii. Zero based budgeting and incremental budgeting (2 Marks)
- iii. Basic standards and ideal standards (2 marks)
- d) Highlight **FOUR** differences between absorption costing and marginal costing. (4 Marks)

QUESTION THREE

A company has the following data relating the number of units produced and overhead cost incurred

Month	Output(Machine Hours)	Overhead Expenses
July	75	2,250
August	90	2,520
September	105	2,790
October	140	3,435
November	110	2,895
December	130	3,275

- i) Formulate predictor equation in the form $y=a+bx$ using:
 - a. High-low method (6 marks)
 - b. Regression analysis. (10 marks)
- ii) Using regression equation obtained estimate the overhead costs that will be incurred with output level in January is expected to be 125 (2 marks)
- iii) If the maximum overhead cost has been set at sh 8500 what is the maximum output level using regression equation obtained. (2 marks)

QUESTION FOUR

- a) Briefly explain **FIVE** importance of management accounting to an organization. (5 Marks)
- b) A company has budgeted sales revenue as follows:

Month	Credit sales	Cash sales	Total Sales
January	675,000	450,000	1,125,000
February	625,000	1,275,000	1,900,000
March	450,000	975,000	1,475,000

From the past experience,

- 60% will be collected in the month of sale
- 40% will be collected in the following month.

Budgeted purchase of inventory is:

Month	Amount
January	1,500,000
February	1,200,000
march	525,000

Purchase of inventory are all on credit and 50% is paid in the month of purchase and 50% in the month following purchase.

Additional information:

- i. Selling and administrative expenses Sh. 240,000 are to be paid each month.
- ii. Turn over tax is paid 1% on total sales on the month following month of sale.

- iii. Dividends of Sh. 215,000 will be paid in February.
 - iv. Purchase of equipment in March Sh. 150,000.
- The beginning balance on 1st February is Sh. 250,000.

Required:

Prepare cash budgets for the month of February and March. (15 marks)

QUESTION FIVE

- a) The following details are given in relation to a manufacturing business.
- Selling price per unit Sh. 65.
 - Variable cost per unit Sh. 30.
 - Fixed costs Sh. 355, 000.

Required:

- i. Calculate the break-even sales in shillings. (2 Marks)
 - ii. If the manager desires a profit of Sh 155, 000, how much must he sell to achieve this? (3 Marks)
 - iii. The manager desires to cover additional fixed cost of Sh. 205,000. How much additional quantity will be required to cover the additional fixed cost? (3 Marks)
- b) ABC Ltd provided the following information for the year 2023.

Direct materials	Sh. 150,000
Direct labour	Sh. 105,000
Production overheads:	
Variable	Sh. 45,000
Fixed	Sh. 75,000
Research & Development;	
Fixed	Sh. 40,000
Variable	Sh. 20,000

The company produced 15,000 Units and sold 10,000 units at Sh. 45 per unit.

Required:

Prepare profit statement using Marginal costing. (7 Marks)

- c) Highlight **FIVE** benefits of coming up with budgets in an organization. (5 Marks)