MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year
SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

MANAGERIAL ACCOUNTING

DATE: 2/11/2020   **TIME: 2:30 – 5:30 PM**

INSTRUCTIONS: Answer any three questions

QUESTION ONE (20 MARKS)

The following information is given for material Y-20.

Consumption:

Annual	360,000 units
Maximum	1,200 units/day
Minimum	800 units/day
Normal	900 units/day
Re-order period	12 – 24 days
Re-order quantity	32,000 units

Required:

a)	Re-order level.	(5 marks)
b)	Minimum stock level.	(5 marks)
c)	Maximum stock level	(5 marks)
d)	Average stock level	(5 marks)

QUESTION TWO (20 MARKS)

From the following data draw the network diagram and calculate the critical path

Activity	immediate predecessor	completion time in hours
A	-	7
B	-	10
C	A	4
D	A	30
E	A	7
F	B,C	12
G	B,C	15
H	E,F	11
I	E,F	25
J	E,F	6
K	D,H	21
L	G,J	25

QUESTION THREE (20 MARKS)

Onyango Oloo want to make a decision on whether to put a larger factory, small factory or no factory at all. The states of nature that is favourable market and unfavourable market for his products is equally likely below is his payoff table

DECISION ALTERNATIVE	FAVOURABLE MARKET	UNFAVOURABLE MARKET
LARGER FACTORY	**200,000**	**-180,000**
SMALL FACTORY	100,000	-20,000
NO FACTORY	0	0

Required.

   (a)   draw a decision tree

   (b) Advise Onyango on the best alternative using EMV Criteria

QUESTION FOUR (20 MARKS)

Write short notes on the following

a)   Decision alternative

b)   States of nature

c)   Conditional payoff

d)   Environment of risk