MACHAKOS UNIVERSITY

University Examinations for 2022/2023 Academic Year

SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM MANAGEMENT

DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE (FINANCE OPTION)

BAC 300: MANAGEMENT ACCOUNTING

DATE: **TIME:**

INSTRUCTIONS

Answer question one and any other two

Don't do any working on the question paper

QUESTIONS ONE (COMPULSORY) (30 MARKS)

a) Management accounting applies various techniques. Explain any six of them. (6 marks)

b) Highlight the basic assumptions of break-even analysis (6 marks)

c) Assume that you have been appointed as a Management account explain the role you will perform to achieve your intended purpose. (5 marks)

d) You have been asked to prepare an analysis between fixed and variable costs in your department. The power costs do not seem to fit into either category easily, the details are as follows:

Week	Power cost (shs)	Machine hours
1	28,800	64,000
2	31,600	72,000
3	24,400	52,000
4	27,040	59,200
5	30,960	68,800
6	32,160	63,600
7	16,760	29,600.

Required

a) Using High and low method separate the fixed and variable cost. (6 marks)

b) Estimate the total cost likely in week 8 if the expected level of machine hours is 64,000.

(2 marks)

e) Explain any five limitations of Cost Volume Profit analysis (CVP). (5 marks)

QUESTION TWO (20 MARKS)

The Katuku shoes company ltd sells five different styles of ladies 'slippers with identical purchase costs and selling prices. The company is trying to find out the profitability of opening another store which will entail the following expenses and revenues.

	Shs	shs
Sales (35,000 units at shs 40)		1,400.00
Manufacturing costs of goods sold:		
Direct Labour	210,000	
Direct Materials	196,000	
Variable Factory O/H	140,000	
Fixed Factory O/H	70,000	616,000
Gross Profit		784,000
Selling expense		
- Variable	84,000	
- Fixed	140,000	(224,000)
Administrative		
- Variable	70,000	
- Fixed	140,000	(210,000)
Operating income		350,000

REQUIRED;

a) Calculate the break even point in Units and in sales value . (10 marks)
b) What would the operating income be if projected sales increase by 20%? (5 marks)
c) If a targeted profit after tax of shs1,050,000 is to be made ,advise the management on the level of sales that should be achieved in order to meet the targeted profit ? (5 marks)

QUESTION THREE (20 MARKS)

KK tours is experiencing a shortage of funds for investments in the current year,when only Kshs 200,000 is available for investment.No funds shortages are foreseen there after.The cost of investment is 20%.The following projects are available.

Projects	1	2	3	4	5	6
	Kshs	kshs	kshs	kshs	kshs	kshs
Initial Outlay	200,000	320,000	240,000	120,000	100,000	160,0000
Annual receipts						
From projects to						
Perpetuity	60,000	70,000	72,000	40,000	32,000	40,000

REQUIRED

Advice the management on the projects which you would recommend for acceptance if they were :

(i) Divisible (4 marks)

(ii) Indivisible (4 marks)

(iii) Would your answer to (b) change if surplus funds could be invested at 12%. Ignore Taxation. (2 marks)

(b) Explain five advantages of Net Present Value (NPV). (5 marks)

(c) With the aid of a diagram explain the concept of step Fixed cost . (5 marks)

QUESTION FOUR (20 MARKS)

a) As a management accountant explain the distinguishing features of Management accounting and Financial accounting to an intern who has just joined your organization. (8) marks
b) Explain any six assumptions of cost volume profit analysis (CVP).6 marks
c) Explain the advantages of accounting rate of return (ARR) technique. (6 marks)

QUESTION FIVE (20 MARKS)

ABC PLC accounting year normally ends on the 30th September of every year.The following data is given:

(i) Total sales

	-August 2010	shs 300,000
	-September 2010	shs 400,000
	-October 2010	shs 360,000
	-November 2010	shs 500,000
	-December 2010	shs 600,000
	-January 2010	shs 800,000

40% of the total sales is for cash while the remaining are credit sales to be collected as follows ;

-cash 40%

-credit 60% on the month of sale.

(ii) Total Purchases

	September 2010	shs 200,000
	-October 2010	shs 160,000
	-November 2010	shs 240,000
	-Deecmber 2010	shs 100,000
	-January 2010	shs 150,000

50% of the total purchases is for cash .50% of credit purchases must be settled within one month and the remaining within two months after purchase.

(ii) The company pays the following expenses during the budget period :

-Company income tax of shs 50,000 in October 2010
- Salaries and wages of shs 100,000 every month
- Dividends of shs 100,000 in February 2011.
- Plant costing shs 300,000 in May 2011

(iv) The company will receive the following additional income :

-Sales of motor vehicle costing shs 20,000 for shs 24,000 in November .2010.
-Dividends received of shs 10,000 and shs 18,000 in October and

December 2010 respectively.

(v)The cash balance brought forward as at 1st October 2010 was an overdraft of shs 20,000

Required.

Prepare the cash budget of the company for each of the first four months of 2010 and 2011 financial year.

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