



MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT
SCIENCES

SECOND YEAR FIRST SEMESTER EXAMINATION FOR DIPLOMA IN
ACCOUNTANCY

DAC 203: MANAGERIAL ACCOUNTING

DATE: 5/6/2017

TIME: 8:30 – 10:30 AM

INSTRUCTIONS:

1. Answer question one (1) compulsory and any other two question.
2. Any form of examination irregularity leads to automatic disqualification.
3. Additional instructions are contained in the answer booklet

QUESTIONS ONE (COMPULSORY) (30 MARKS)

- a) EXPLAIN briefly five features of management accounting. (10 marks)
- b) MAKA Ltd requires 4000 units of a component in its manufacturing process in the coming year which costs shs 100 each. The items are available locally and the lead time is one week. Each order costs shs 70 to prepare and process while holding cost is shs 25 per unit per year for storage plus 10% opportunity cost of capital.
- Required:
- i. What is the EOQ (5 marks)
 - ii. What is the reorder level ? (5 marks)
 - iii. How many orders will be placed per year.? (5 marks)
 - iv. Determine the total relevant costs (5 marks)

QUESTION TWO (20 MARKS)

Medical Aid Corporation manufactures a special product Aha. The following information relates to the year 2007

Annual demand	26000 units
Cost of placing an order	shs 100
Annual carrying cost per unit	shs15
Normal usage per week	50 units
Minimum usage per week	25 units
Reorder period	4-6 weeks
Maximum usage per week	75 units

Compute

- i. Reorder quantity
- ii. Reorder level
- iii. Minimum level
- iv. Maximum level
- v. Average stock level (20 marks)

QUESTION THREE (20 MARKS)

Given below are the maintenance costs incurred and the number of Labour hours employed by kaloleni garage in between January and June 2016. The garage expects to use 3500 Labour hrs. In July and 6000 Labour hrs. In august

Number of hours (000)	4	5	3	6	4	2
Repair costs (shs 000)	60	90	60	100	70	50

Required

- i. Using simple linear regression method , determine both the total fixed cost and the variable costs for the garage
- ii. Derive the cost estimation function for the garage
- iii. Using the computation above determine estimated cost for July and august (20 marks)

QUESTION FOUR (20 MARKS)

- i. State six reasons why an organization may hold stock (6 marks)
- ii. State four key reasons of CVP analysis in decision making. (4 marks)
- iii. Outline the advantages of graphical method of cost estimation (5 marks)
- iv. Explain the significance of breakeven analysis in planning decisions. (5 marks)

QUESTION FIVE (20 MARKS)

- i. State the assumptions of breakeven analysis. (9 marks)
- ii. Quick sale limited requires you as an expert to advice them concerning their business operations. The company provides you with the following data for the last quarter.

Fixed costs	shs 24,000
Variable cost per unit	shs 800
Selling price per unit	shs 1200
Units produced and sold	120 units

Required

 - a. Calculate breakeven point in shillings
 - b. Calculate breakeven point in units (11 marks)