MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING, BANKING AND FINANCE

FIRST YEAR FIRST SEMESTER EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

MANAGERIAL ACCOUNTING

DATE: 21/11/2019 **TIME:**

INSTRUCTIONS:

Answer any three questions

QUESTION ONE

Explain briefly how the following methods are used in cost estimation:

a) Account Analysis

b) Engineering Analysis

c) Scatter Graph Method

d) High Low Method

e) Regression Analysis (20 marks)

QUESTION TWO

The following information was extracted from the books of Danex Holdings regarding its stocks:

i.	Reorder quantity	1,800
ii.	Reorder period	4 weeks
iii.	Maximum consumption	450 units/week
iv.	Normal consumption	300 units/week
v.	Minimum consumption	150 units/week
Vi	Maximum reorder period	5 weeks
Vii	Minimum reorder period	3 weeks

Required

Determine the following stock levels for Danex Holdings:

i. Re-order level

ii. Maximum stock level

iii. Minimum stock level (20 marks)

QUESTION THREE

ABC Ltd has an aggregate demand of 1.2 Million units. Each time they place an order there is an ordering cost of shs 1,000, holding cost is shs 100 per unit. Determine:

i. EOQ

ii. No. of order to be made based EOQ

iii. Total cost of stocks based on the EOQ (20 marks)

QUESTION FOUR

The following information relates to item P003 stocked by 2000 products Ltd for the month of April 2000:

Date	Receipts Units	Issues Units	Unit cost (Sh)
April3	2,400		18
4		3,200	
6	2,600		20
12		2,700	
14	3,000		22
18	2,800		21
20		2,200	
22	2,600		23
25		3,800	
26	3,100		24
27	2,500		25
28	3,200		26
29		6,900	

The closing balance for March 2000 was a batch of 3,000 units received at a unit price of Sh 19.

Required:

a) Stores perpetual inventory record for item P003 for May 2000 under LIFO system of stores issues. (14 marks)

b) Closing stock valuation. (6 marks)