



**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

MAIN, BUNGOMA, WEBUYE CAMPUS

**UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
FIRST YEAR SEMESTER TWO EXAMINATION
FOR DIPLOMA
IN
BUSINESS MANAGEMENT**

COURSE CODE: DAB 232

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: Wednesday 12th April 2023

TIME: 8.00-10.00am

INSTRUCTIONS TO CANDIDATES

Answer QUESTION ONE and any OTHER TWO questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

QUESTION ONE (30 MARKS)

- a) Differentiate between the functional budget and master budget. (2 Marks)
- b) Discuss five key factors that affect the budgeting process. (10 Marks)
- c) Highlight five assumptions of Economic Order Quantity (EOQ). (5 Marks)
- d) The following transactions relates to the purchase of ABC Ltd.

Units Purchased	Date of purchase	Price per unit
500	1 st January	100
600	2 nd January	200
800	3 rd January	400

Additional information:

- i) units used on 4th January were 900.
- Required: Determine the cost of units using FIFO Method. (4marks)
- e) The table below shows the units of output and the cost of production of Jana Ltd for a period.

Units of output	Cost of production
350	290,000
400	310,000
450	330,000
500	350,000
550	370,000

Required:

Using the least square method regression analysis:

- (a) Formulate a regression equation. (5 marks)
- (b) Estimate the cost of production when 480 units are produced. (4 marks)

QUESTION TWO (20 MARKS)

The budget of Agano Manufacturing Company shows that for the following twelve months 40,000 units will be produced and sold at sh. 20 each. The budget production costs are:

	Shs
Direct material cost	300,00
Direct labour cost	200,000
Variable overhead cost	100,000
Fixed overhead cost	150,000

Required:

- (i) The current contribution per unit. (5 marks)
- (ii) The contribution/sales ratio. (5 marks)
- (iii) The likely net profit if the sales volume is increased by 10%. (5 marks)
- (iv) The additional sales in units required to maintain the current profit level if the selling price is reduced 5%. (5 marks)

QUESTION THREE (20 MARKS)

- a) Every future oriented organization looks forward to having a productive and functional manager. Critically explain **FIVE** roles of a manager in light of management accountancy. (10 Marks)

- b) Explain any **THREE** practical assumptions of CVP analysis in the business world. (6 Marks)
- c) Explain **TWO** limitations of using linear regression analysis in cost estimation. (4 Marks)

QUESTION FOUR (20 MARKS)

- (a) Tabulate the distinctions between cost and management accounting and financial accounting. (4 marks)
- (b) Briefly explain three factors that will influence whether or not to set up a cost accounting system separate from the financial accounting system. (6 marks)
- (c) Discuss the factors to be taken into account in determining the optimal stockholding level for any company. (4 marks)
- (d) Distinguish between the following cost accounting terminologies.
 - (i) Cost center and cost unit. (2 marks)
 - (ii) Joint products and by-products. (2 marks)
 - (iii) Period costs and product costs. (2 marks)