



**MASINDE MULIRO UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

MAIN EXAMINATION

**FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN
BUSINESS ADMINISTRATION**

COURSE CODE: PBA 939

COURSE TITLE: ADVANCED MANAGEMENT ACCOUNTING

DATE: TUESDAY 25TH April 2023 TIME: 8.00-11.00AM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE AND ANY OTHER THREE (3) QUESTIONS

TIME: 3 HOURS

MMUST observes ZERO tolerance to examination cheating

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

QUESTION ONE (30 MARKS)

- a) The daily demand for loaves of bread in a shop can assume one of the following values: 100, 120 or 130 loaves with probabilities of 0.2, 0.3 and 0.5 respectively. The owner of the store is therefore limiting her alternatives to stocking one of the indicated three levels: if she stocks more than she can sell the same day, she can dispose off the remaining loaves at a discount price of Sh 22. Assuming that she pays Sh 24 per loaf and sell it for Sh 42, find the optimum stock level by using decision tree (6 Marks)
- b) A market gardener is planning his production for next season, and he has asked you as a management accountant, to recommend the optimal mix of vegetable production for the coming year. He has given you the following data relating to the current year.

	potatoes	Turnips	parsnips	carrots
Area occupied (acres)	25	20	30	25
Yield per acre (tonnes)	10	8	9	12
Selling price per tonne(Kshs)	1000	1250	1500	1350
Variable cost per acre (Ksh):				
Fertilizers	300	250	450	400
Seeds	150	200	300	250
Pesticides	250	150	200	250
Direct wages	4000	4500	5000	5700

Fixed overhead p.a. Ksh 540 000

The land that is being used for production of carrots and parsnips can be used for either crop, but not for potatoes or turnips. The land being used for potatoes and turnips can be used for either crop, but not for carrots or parsnips. In order to provide an adequate market service, the gardener must produce each year at least 40 tonnes each of potatoes and turnips and 36 tonnes each of parsnips and carrots.

You are required to present a statement to show:

- i. The profit for the current year; (6 Marks)
 - ii. The profit for the production mix that you recommend (6 Marks)
- c) Research on Performance Measurement in Service Businesses, reported in *Management Accounting*, found that ‘performance measurement often focuses on easily quantifiable aspects such as cost and productivity whilst neglecting other dimensions which are important to competitive success’.

Required:

- i. Explain what ‘other dimensions’ you think are important measures of performance(6 Marks)

- ii. Describe what changes would be required to traditional information systems to deal with these 'other dimensions' (6 Marks)

QUESTION TWO (20 MARKS)

You have been approached by the directors of PQR Ltd, a merchandising company about the control of the company's stocks. The company's average sales amount to Sh 5 million per month and holds inventories of about Sh 2 million at any one time. Most of the company's items are low value fast moving components used in the motor industry. At the present time no policies or records exist concerning stocks and this has resulted in inappropriate managerial decisions.

Required: Enumerate the major considerations that the directors need to address in order to achieve an effective stock control policy

(20 Marks)

QUESTION THREE (20 MARKS)

- a. Briefly explains the benefits which may accrue to an organization which operates a budgetary control system (10 Marks)
- b. With an efficient financial accounting system in place, management accounting is unnecessary. Discuss (10 Marks)

QUESTION FOUR (20 MARKS)

- a) Foreign multinational corporations have abused international transfer pricing practices to deny African countries the much needed tax revenue. With examples, explain how this happens and how the OECD(1995) Guidelines seeks to address this challenge (10 Marks)
- b) In order to reduce costs, it is necessary to create awareness and cost consciousness into the minds of employees on the factory floor. Suggest ways and means of achieving this objective (10 Marks)

QUESTION FIVE (20 MARKS)

- a) What information would be required to set a standard manufacturing cost for a completely new machine which an engineering company is to make for sale? From where would this information be obtained (10 Marks)
- b) Explain any five principles of good corporate governance (10 Marks)