



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS
SECOND YEAR EXAMINATION FOR THE AWARD OF THE
DIPLOMA IN ACCOUNTING AND FINANCE
FIRST SEMESTER 2023/2024
[AUGUST-DECEMBER, 2023]

DSAM/DBAD0223/DHRM0171: MANAGEMENT ACCOUNTING
STREAM: Y2 S1 **TIME: 2 HOURS**

DAY: THURSDAY, 12.00 – 2.00 P.M. DATE: 30/11/2023

INSTRUCTIONS

- 1. Do not write anything on this question paper.***
- 2. Answer Questions ONE and any other THREE Questions***

QUESTION ONE

- a.) Discuss five different bases of overhead apportionment in a business set up
(10 Marks)
- b.) The following data was extracted from the ABZ Company LTD which specializes in the production of different clothes. A, B and C are production departments whereas D is a service department. The actual costs that were incurred for the financial year ending 2021 were as follows:

ITEM DESCRIPTION	AMOUNT (Kshs.)
Rent	20,000
Repairs to plant and equipment	12,000
Depreciation of plant and equipment	9,000
Light and power	2,000
Supervision	30,000
Repairs to building	8,000

The following information which was used as the bases for distribution of costs was also availed:

DEPARTMENTS

	A	B	C	D
Area, Sq. Metres	1500	1100	900	500
Number of employees	20	15	10	5
Wages paid	120,000	80,000	60,000	40,000
Value of plant	300,000	180,000	120,000	

Required

Apportion the above costs to the four departments and indicate the basis of apportionment in each case **(15 marks)**

QUESTION TWO

Explain the various types of ratios which are used by business entities to gauge their performance **(15 Marks)**

QUESTION THREE

The following data relate to Electric Ltd an expanding private Company dealing with electrical appliances. Accounts are drawn as at January 2022 as follows:

	2020	2021
	Kshs.(000)	Kshs.(000)
Sales	2,000	3,200
Less: cost of goods sold	(1,100)	(1800)
Gross Profit	900	1,400
Less: Trading expenses	(450)	(550)
Trading profit	450	850
Less: Debenture interest	(25)	(25)
Net profit before tax	425	825
Less: Corporation tax	(160)	(320)
Net profit after tax	265	505
Lees: Ordinary share dividend	(125)	(175)
Undistributed profit for the year	<u>140</u>	<u>330</u>

Electric Ltd**Statement of financial position as at 31st December 2021**

	2020	2021		2020	2021
Source of Capital	Kshs. (000)	Kshs. (000)	Uses of capital	Kshs. (000)	Kshs. (000)
Ordinary share capital authorized and issued (Kshs. 1 share)	500.00	500.00	Fixed assets at cost	1,000.00	1,400.00
			Less: Depreciation	<u>(200.00)</u>	<u>(250.00)</u>
				800.00	1,150.00
Undistributed profits	350.00	680.00			
10 % debentures	250.00	110.00	Current Assets		
			Stocks	400.00	550.00
			Debtors	250.00	350.00
			Cash	80.00	-
				730.00	900.00
			Less: current liabilities		
			Creditors	145.00	200.00
			Taxation	160.00	320.00
			Proposed dividend	125.00	175.00
			Bank over draft	-	65.00
				<u>(430.00)</u>	<u>(760.00)</u>
	1,100.00	1,290.00		1,100.00	1,290.00

Required

Calculate four accounting ratios for both the years 2020 and 2021 which you feel would be of particular value in assessing the profitability and liquidity performance of Electric Ltd and Comment on the current position of the firm with the aid of the accounting ratios previously selected **(15 Marks)**

QUESTION FOUR

- i.) Discuss the various challenges associated with budgeting in both private and public sector **(7 Marks)**
- ii.) Discuss the various models/techniques which are applied by the business entity to appraise financial and non-financial performance **(8 Marks)**

QUESTION FIVE

- a.) With explanations list the various types of standards in costing **(8 Marks)**
- b.) The material standard for one unit of product K is 4 kg at kshs. 10 per kg. 16,000 kg were applied at a cost of kshs. 88,000 and 5,000 units were produced

Required

Calculate material cost variance **(7 Marks)**