



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

**DSAM/DBAD0223/DHRM 0171: MANAGEMENT ACCOUNTING**  
**STREAM: Y2 S1** **TIME: 2 HOURS**

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

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**INSTRUCTIONS**

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

**QUESTION ONE**

- a) Distinguish between management accounting and financial accounting (8Marks)
- b) A company has an annual demand for material of 25,000 tons per annum. The cost price per ton is sh.2,000 and stock holding cost is 25% per annum of the stock value. Delivery cost for batch is sh.400. Calculate the economic order quantity (E.O.Q), number of orders p.a and order cycle length (8 Marks)
- c) Explain the following terms as used in management accounting
- (i) Marginal cost
  - (ii) Standard costing
  - (iii) Last in First Out (LIFO) (9 Marks)

## QUESTION TWO

The following information is provided for material X

Maximum consumption = 12,000 per week

Minimum consumption = 8,000 units per week

Re-order period or lead time 8-12 weeks

Re-order quantity 60000 units

### Required

- a) Re-order level (3 Marks)
- b) Minimum stock level (3 Marks)
- c) Maximum stock level (6 Marks)
- d) Average stock level (3 Marks)

## QUESTION THREE

a) Differentiate between the following terms as used in management accounting

- (i) Direct cost and indirect cost (3 Marks)
- (ii) Material price variance and material usage variance (3 Marks)

b) The following information were provided from Mrembo manufacturing Ltd for the month of March 2017.

March 12 Received 1000units at sh.40 each

March 8 Received 600units at sh.44 each

March 10 Issued 800 units

March 15 Issued 400 units

March 20 Received 1200 units at sh. 50 each

March 25 Issued 600 units

March 27 Received 400 units at sh.52 each

March 30 Issued 200 units

Standard price for each unit for the month of March is sh.48. The market price of this material on 1 April is sh.54 per unit and 500 units were purchased out that day

### Required

Using the above information find the value of the material using weighted average method (9Marks)

#### QUESTION FOUR

- a) What is the differences between Fixed and flexible budgets (3 Marks)
- b) State three advantages of making a budget to Kisii University (3 Marks)
- c) The following information was provided at Kisii University standard rate per hour Sh.10 standard time per unit 2 hours. Time worked 4250 hours, time paid (4326 hours) sh.42500 hours) production achieved 2180 units.

#### Required

- i. Labour rate variance (2 Marks)
- ii. Labour efficiency variance (2 Marks)
- iii. Idle time variance (3 Marks)
- iv. Labour cost variance (2 Marks)

#### QUESTION FIVE

- a) Write short notes on the following

- (i) Contract costing (2 Marks)
- (ii) Absorption costing (2 Marks)
- (iii) Activity based costing (ABC) (2 Marks)

- b) The following information relates to a factory which has four departments

<b>Overhead</b>	<b>Sh.</b>
Rent	80000
Repairs to plant	50000
Depreciation plant	40000
Light and heat	20000
Supervision	60000
Repairs to building	30000

Information in respect of four department are

	<b>Dept A</b>	<b>Dept B</b>	<b>Dept C</b>	<b>Dept D</b>
Area sqmetres	1500	1200	800	500
No. of employees	35	25	25	15
Value of plant in sh.	500,000	300,000	200,000	-

#### Required

Prepare an overhead analysis showing clearly the bases of apportionment (9 Marks)