KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF THE DEGREE OF BACHELOR OF EDUCATION ARTS
SECOND SEMESTER, 2021/2022
(FEBRUARY - JUNE, 2022)

BUST 311: MANAGEMENT ACCOUNTING I

STREAM: Y3 S1 **TIME: 2 HOURS**

DAY: FRIDAY, 3.00 – 5.00 PM **DATE: 06/05/2022**

INSTRUCTIONS:
1. Do not write anything on this question paper.
2. Answer Question ONE (Compulsory) and any other THREE Questions.

QUESTION ONE:

a) Define the following in relation to Management accounting:
   i) Cost
   ii) Opportunity cost
   iii) Contribution (6 marks)

b) Compare and contrast between Financial accounting and Management Accounting. (6 marks)

c) The following is a data pertaining the transaction of XYZ Company.

YEAR	**SALES(kshs)**	**PROFITS(kshs)**
2013	200,000	6,000
2014	180,000	4,000

Additional information: Actual sales iskshs 152, 000.

Required: Calculate:
   i) Fixed cost. (4 marks)
   ii) Profit volume ratio. (5 marks)
   iii) Break even analysis. (4 marks)
   iv) Sales required to earn a profit of kshs. 40,000. (4 marks)

v) Margin of safety. (4 marks)

d) The following information is given for Betta Solution Inc.

	Shs.
Unit sale price	10
Variable cost per unit	6
Total fixed costs	50,000

Determine the following:
- i) Contribution margin per unit.
- ii) Contribution margin per ratio.
- *iii)* Break even sales in units. (5 marks)

QUESTION TWO.

a) State five importance of Management accounting in an organization. (5 marks)

b) Explain briefly how information in Management Accounting is used by the managers. (5 marks)

c) If the basic day-rate of Mfanyekazi is shs.4 per hour and overtime is paid at time-and –a-quarter, eight hours of overtime would be paid how much? (5 marks)

QUESTION THREE:

a) Comment on the following:
- i) Absorption costing
- ii) Overhead absorption.
- *iii)* Margin of safety. (6 marks)

b) Kiwanda Company had the following data:
1. Selling price per unit =Shs. 25
2. Variable cost per unit =Shs. 10
3. Total fixed costs =Shs. 100,000

Calculate the break even point in
- i) units and (4 marks)
- ii) in shillings. (5 marks)

QUESTION FOUR

a) Tom makes and sells a product which has a variable cost of Kshs. 30 and which sells for Kshs 40.Budgeted fixed costs are Kshs. 70,000 and budgeted sales are Kshs. 8,000.

Calculate the
- i) breakeven point and (4 marks)
- ii) the margin of safety. (4 marks)
- iii) Express the margin safety in percentage of budget.(4 marks)

b) State any **two** importance of breakeven analysis. (2 marks)

QUESTION FIVE

a) Amani Company produces and sells a product that has a selling price of kshs 100 per unit and variable costs of kshs.40 per unit. Total fixed costs are kshs. 400,000 including kshs. 80,000 for depreciation and amortization. Calculate:
   i) Break even point for profit. (4 marks)
   ii) Breakeven point of the company. (4 marks)
   iii) Advice the company accordingly. (3 marks)

b) State any **four** underlying assumptions on break-even analysis. (4 marks)

QUESTION SIX

a) Sketch a graph illustrating how the fixed cost would look like. (4 marks)
b) Product X has a standard direct material cost as follows:
   10 kg of material Y at shs. 10 per kg=kshs 100 per unit of X.
   During period 41000 units were manufactured , using 11,700 kgs of material Y which cost kshs. 98,600.

Required, calculate the following variances:

i) The direct material total variance. (3 marks)
ii) The direct material price variance. (3 marks)
iii) The direct material usage variance. (3 marks)
iv) Give the summary of the variances. (2 marks)