



JARAMOGI OGINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION MASTERS OF BUSINESS ADMINISTRATION
1ST YEAR 2ND SECOND SEMESTER 2023/2024
MAIN CAMPUS (EVENING)

COURSE CODE: MBA 810

COURSE TITLE: MANAGEMENT ACCOUNTING

DATE: 30/04/2024

EXAM SESSION: 2.00 – 5.00 PM

TIME: 3 HOURS

INSTRUCTIONS:

- 1. Answer ANY FOUR Questions**
 - 2. Candidates are advised not to write on the Question paper**
 - 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**
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QUESTION ONE (15 MARKS)

- a) Enumerate and examine the limitations and the assumptions of Cost Volume Profit (CVP) Model (8 marks)
- b) A manager has a choice between:
- i) A risky contract promising shs. 7 million with probability 0.6 and shs. 4 million with probability 0.4 and
 - ii) A diversified portfolio consisting of two contracts with independent outcomes each promising Shs. 3.5 million with probability 0.6 and shs. 2 million with probability 0.4

Required:

Arrive at the decision using EMV method? (7 marks)

QUESTION TWO (15 MARKS)

- a) Discuss the various cost estimation methods and their benefits to a business of your choice: (5 marks)

- b) The following data have been collected on costs and output:

Output (000s)	1	2	3	4	5	6	7
Costs (sh.000s)	14	17	15	23	18	22	31

Calculate the coefficients in the linear cost function ($y = a + bx$) using

- i) The Normal Equation (5 marks)
- and
- (ii) The coefficient formulae. (5 marks)

QUESTION THREE (15 MARKS)

- a) Discuss in details the steps involved budget making process. (8 marks)
- b) Other environmental management tools work well if integrated with Environmental Management Accounting (EMA). Discuss. (7 marks)

QUESTION FOUR (15 MARKS)

Assume that you are planning to sell 600 badges at the forthcoming Nairobi show at a sh. 9 each. The badges cost sh. 5 to produce and you incur sh. 2000 to rent a booth in the showground

Required;-

- a) Compute the break-even point in units and in shillings (4 marks)
- b) Compute the margin of safety in units % and I shillings (4 marks)
- c) Compute the number of units that must be sold to earn a profit before of 20% of sales (4 marks)

- d) Compute the number of units that must be sold to earn an after tax profit of sh. 1,640 assuming that the tax rate is 30% (3 marks)

QUESTION FIVE (15 MARKS)

- a) Discuss the Rules and limitations of Game Theory (4 marks)
- b) Identify and explain three types of decision-making environments. (3 marks)
- c) A company is considering investing in one of three investment opportunities A, B and C under certain economic conditions. The payoff matrix for this situation is economic condition.

Investment opportunities	1 £	2 £	3 £
A	5,000	7,000	3,000
B	-2,000	10,000	6,000
C	4,000	4,000	4,000

Determine the best investment opportunity using the following criteria.

- i) Maximin
- ii) Maximax
- iii) Minimax
- iv) Hurwicz (Alpha = 0.3)

(8 marks)

QUESTION SIX (15 MARKS)

- a) Zero based and Activity based budgeting, are both not necessarily perfect business practices. Discuss. (8 marks)
- b) Full cost plus and Marginal cost plus pricing are very important pricing decision tools that management accountants frequently apply in business decision making processes. With the help of relevant examples, discuss. (7 marks)