



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS AND ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION**  
**4<sup>TH</sup> YEAR 2<sup>ND</sup> SEMESTER 2016/2017 ACADEMIC YEAR**  
**MAIN CAMPUS**

---

**COURSE CODE: ABA 416**

**COURSE TITLE: MANAGERIAL ACCOUNTING-II**

**EXAM VENUE;**

**STREAM: ACCOUNTING**

**DATE**

**EXAM SESSION:**

**TIME: 2 HOURS**

---

**Instructions:**

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 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.**

### Question one.

- (a) Name four different ways in which cost may be classified, and briefly explain the purpose of each classification **(10 Marks)**
- (b) Explain the importance of responsibility structure in improving the profitability of the firm **(10 Marks)**
- (c) Give ten factors which you may need to consider in a pricing decision **(10 Marks)**

### Question Two

- (a) A company is at present working at 90% of its capacity and producing 13000 units per annum. It operates a flexible budgetary control system. The following figures are obtained from its budget:

	90%	100%
Sales	Sh1500000	Sh1600000
Fixed expenses	300500	300600
Semi-fixed expenses	97300	100500
Variable overhead expenses	145000	149500
Units made	13500	15000

Labour and material costs per unit are constant under present conditions. Profit margin is 10%

#### Required:

- (i) Determine the differential cost of producing 1500 units by increasing the capacity to 100% **(7.5 Marks)**
- (ii) What would you recommend for an export price for these 1500 units taking in to account the overseas prices are much lower than indigenous prices **(7.5 Marks)**
- (b) Briefly explain the various types of decisions taken by the management with the help of differential cost analysis **(5 Marks)**

### Question Three

Share capital of Modern Company Limited is as under:	Sh
10% Preference share capital (4000 shares of Sh.10 each)	400000
Equity share capital (50000 shares of Sh.10 each)	<u>500000</u>
	<u>900000</u>
Other information:	
Profit before tax	Sh.400000
Rate of tax	40%
Proposed dividend	20%

Market value of equity shares

Sh.18 per share

### Required

Find out:

- i) Earning per share **(4 Marks)**
- ii) Price earning ratio **(4 Marks)**
- iii) Capitalization ratio **(4 Marks)**
- iv) Dividend per share **(4 Marks)**
- v) Payout ratio **(4 Marks)**

### Question Four

Given below are the balance sheets of Maji Tamu Company Limited for the year ending 31<sup>st</sup> December

	31.12.2006	31.12.2007		31.12.2006	31.12.2007
Share Capital	225000	300000	Noncurrent assets	157500	240000
General Reserve	135000	147000	Investments	120000	195000
P&L A/c	40200	60750	Debtors	105000	93000
Loan on Mortgage	-	90000	Stock	67500	79500
Creditors	57300	63750	Cash	52500	127500
Provision for tax	45000	73500			
	502500	735000		502500	735000

Additional information:

- i) Depreciation charged during the year Sh.31500
- ii) Dividend paid during the year Sh.22500
- iii) Provision for tax made during the year Sh.57000
- iv) Investment costing Sh.37500 was sold for sh.42000
- v) Fixed assets costing Sh.75000 (accumulated depreciation Sh.30000) was sold for Sh.54000

### Required;

Prepare cash flow statement

**(20 Marks)**

### Question five

- (a) Explain the concept of Activity Based Costing. What steps are involved in apportioning of overheads under Activity Based Costing? **(13 Marks)**
- (b) Differentiate between Marginal costing and Differential Costing **(7 Marks)**

