



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE BACHELOR OF LOGISTICS AND
SUPPLY CHAIN MANAGEMENT
3rd YEAR 2ND SEMESTER 2018/2019 ACADEMIC YEAR
KISUMU CAMPUS

COURSE CODE: BBM 3322

COURSE TITLE: MANAGERIAL ACCOUNTING

EXAM VENUE;

STREAM: BLSCM

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer any THREE questions. Question ONE is Compulsory**
- 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.

The following information was extracted from BM ltd books of accounts for the period ending 31st December 2017.

	Product		
	X	Y	Z
	KSHS	KSHS	KSHS
Sales	200,000	300,000	500,000
Variable costs	120,000	210,000	350,000

- i) Given that the total fixed costs are kshs 152,000. Use the information to calculate the Break even Revenue for the company. (10 marks)

- ii) Suppose the sales mix changes to X at 50%, Y at 30% and Z to 20% the fixed costs remain the same. Compute the new breakeven point and the new P/V ratios for the products (5 marks)
- iii) The company proposes to replace product Z by product S. the estimated cost and output data are as below

	Product		
	X	Y	S
Sales Mix	50%	30%	20%
Selling Price	20	25	28
Variable costs per unit	10	15	14

Given that the total fixed costs is kshs 150,000 and total sales revenue is kshs 500,000 advise the management on whether to replace Z with S. (15 marks)

QUESTION TWO

The following data relate to the working of a factory for the year 2017:

Capacity worked at 50%

Fixed Costs:	Sh	Sh
Salaries	84000	
Rent and rates	56000	
Depreciation	70000	
Other Admin Expenses	<u>80000</u>	290000
Variable Costs:		
Materials	240000	
Labour	256000	
Other Expenses	<u>38000</u>	543000

Possible sales at various level of working are:

<i>Capacity</i>	<i>Sales</i>
	Sh.
60%	950000
75%	1150000
90%	1375000
100%	1525000

Required: Prepare a flexible budget and show the forecast of profit at 60%, 75%, 90% and 100% capacity operations **(20 Marks)**

QUESTION THREE

(a). The capital budgeting department of a company has suggested three investment proposals. The after tax cash flows for each are tabulated below. If the company's cost of capital is 12%, rank them in order of profitability.

Year	After tax cash flows		
	project A Sh	Project B Sh	Project C Sh
0	-20000	-60000	-36000
1	5600	12000	13000
2	6000	20000	13000
3	8000	24000	13000
4	8000	32000	13000

Given that Present Value Interest Factor (PVIF) at 12% are as follows:

Year	:	1	2	3	4
PVIF	:	0.893	0.797	0.712	0.636

Use the information to advise the management based on NPV and IRR techniques (20 Marks)

QUESTION FOUR

(a) The following data relate to MKL Company Ltd. For the year 2016:

	<i>First six months</i> Sh.	<i>Last six months</i> Sh.
Sales	405,000	450,000
Total Cost	360,000	387,000

Required: Calculate the following for the year 2016 assuming the fixed expenses incurred were uniform in both half years:

- (i) Profit –Volume ratio **(3 Marks)**
- (ii) Break – even point **(3 Marks)**
- (iii) Margin of Safety **(3 Marks)**
- (iv) Sales to earn a profit of Sh.50,000 **(3 Marks)**
- (v) Profits when sales are Sh.1,140,000 **(4 Marks)**

(b) Distinguish between marginal costing and absorption costing **(4mks)**

QUESTION FIVE

(a) “It is the capital expenditure decision that spells the difference between the business success and the business failure.” Do you agree with this statement? Substantiate your views with reasons **(10 Marks).**

(b) State the reasons for each of the following variances

- i) Material price variance **(2 Marks)**
- ii) Price usage variance **(2 Marks)**

(c) Distinguish between Management accounting and Financial Accounting **(6 Marks)**