



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS**

COURSE OUTLINE

COURSE CODE : ABA 404

COURSE TITLE : MANAGEMENT ACCOUNTING

COURSE INSTRUCTOR: AWITI TOM MBOYA

CLASS MEETS ON THURSDAY : TIME 2.00 P.M - 4.00P.M

LEARNING OBJECTIVES

By the end of this course unit, the students should be able to:

- i) Explain how a business operation is a process of interaction of communities of different interests.
- ii) Discuss corporate power and legitimacy in business organizations.
- iii) Discuss the various techniques that can be used in the analysis of the market environment.
- iv) Discuss the global corporate competitiveness.
- v) Discuss the social responsibilities of a business organization.

COURSE EVALUATION

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|---------------------------------|-------|
| i) CAT and ASSIGNMENTS | = 30% |
| ii) END OF SEMESTER EXAMINATION | =70% |

TOPICS TO BE COVERED

WEEK	TOPICS	CONTACT HOURS
1	Nature, scope and purpose of management accounting, cost terms, concepts and classification.	3
2,3	The use of accounting information by management, cost accumulation for product costing.	6
4,5	Cost behavior patterns, elementary cost estimation, product costing methods.	6
6	Variable Vs absorption costing, cost, volume, profit analysis	3
7	Budgetary control,	3
8	CAT	1
9,10	Standard costing and basic variance analysis	6
11,12	Relevant costs for management decision making	6
13	Cost benefit analysis	6
14	End of semester examination	2
		42

READING MATERIALS / REFERENCES

1. Ducker Peter (1997) The Global Economy and National State
2. Jane and Johnstone (2008), Media relations, Issues and Strategies, First Edition, Australia, Allen and Unio Academy
3. Bland M. Theaker, A. Wragg (2001); Effective Medic Relations.
4. Michael Vaz (2007) ; Strategic Management, M. Com. Part – 1, Manan prakashan, Mumbai , India. ##



**JARAMOGI OGINGA ODINGA UNIVERSITY OF AGRICULTURE AND
TECHNOLOGY**

SCHOOL OF BUSINESS AND ECONOMICS

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION**

4TH YEAR FIRST SEMESTER 2018/2019 ACADEMIC YEAR

MAIN CAMPUS

COURSE CODE: ABA 404

COURSE TITLE: MANAGEMENT ACCOUNTING

VENUE: --

DATE:

EXAM SESSION:

TIME: 2 HOURS

INSTRUCTIONS

- 1. This paper consists of Five (5) questions.**
- 2. Answer question 1(COMPULSORY) and any other Two questions.**
- 3. Write all answers in the answer booklet provided.**

QUESTION ONE

- a) A company is trying to decide on whether to make and sell product A or B. The demand of the product in the market is uncertain and the payoff table is as below.

OPTION	STRONG	WEAK
Product A	4000	-1000
Product B	1500	500
Product C	0.3	0.7

A market research can predict the nature of demand with 100% accuracy. The market expert is charging a fee of Ksh 550 for this perfect information. Determine the value of information and state whether it is worth paying the fee. (5 mks)

- b) Discuss five rules about relevant costs. (10 mks)
- c) Explain five methods used in setting the transfer price of goods by companies. (10 mks)
- d) State five facets involved in financial planning. (5 mks)

QUESTION TWO

- a) Two decisions making problems are faced by a company which produces a range of products and absorbs production overheads using a rate of 200% of direct wage. This rate was calculated from the following budgeted figures.

	Ksh
Variable production costs	64,000
Fixed production costs	96,000
Direct labour costs	80,000

Problem 1

The normal selling price of product X is Shs 22 and production cost for one unit is

Raw Materials	8.00
Direct Labour	4.00
Production Overhead	<u>8.00</u>
	<u>20.00</u>

There is a possibility of supplying a special order for 2000 units of product X at shs 16 each. If the order were accepted, the normal budgeted sales would not be affected and the company has the necessary capacity to produce the additional units.

Problem 2

The cost of making component Q which forms part of product Y is stated below.

Raw Materials	4.00
Direct Labour	8,00
Production Overheads	<u>16.00</u>
	<u>28.00</u>

Component Q could be bought from an outside supplier for sh. 20. You are required (assuming that fixed production cost will not change) to

- i) State whether the company would accept the special order as stated in problem 1, continue making component Q or buy from outside as stated in problem 2.
 - ii) Comment on the principle you have followed in your cost analysis to arrive at your answer in the two problems identified above. (10 mks)
- b) Explain five importance of financial statement analysis. (10mks)

QUESTION THREE

- a) Discuss five main element of strategic management accounting. (10 mks)
- b) Explain five barriers to the implementation of strategic management accounting.(10 mks)

QUESTION FOUR

- a) A firm has a 75% learning curve effect and it takes 2000 hours to make the first unit. Labour costs shs 1,000 per hour.

Required

- i) The time and labour cost to make the first 2 units.
 - ii) Time and labour cost to make the first 4 units
 - iii) Time and labour cost to make the first 8 units
 - iv) Time and labour cost to make the eighth unit.
 - v) Time and labour cost to make the 32nd unit.
 - vi) Time and labour cost to make the last 16 units in a group of 32 units. (12 Mks)
- b) Identify and explain four uses of cost estimation methods. (10 mks)

QUESTION FIVE

- a) Discuss five emerging issues under budgetary control. (10 Mks)
- b) A firm uses a particular type of component which costs shs 500. Demand for its averages 800 unit's p.a and the E.O.Q has been calculated at 200 units. Holding costs are 20% of purchase cost per unit per annum. Stock out costs sh. 200 per item. Demand during lead times varies and has been recorded as follows during some 50 lead times.

USAGE IN LEAD TIME	NO. OF TIMES	PROBABILITIES
25 – 29	1	0.02
30 – 34	8	0.16
35 – 39	10	0.20
40 - 44	12	0.24
45 – 49	9	0.18
50 - 54	5	0.10
55 - 59	5	0.10

Required

Calculate the R.O.L and safety stock which is optimal using possible re – order levels of 45, 50, 55 and 60.

(10 Mks)