



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF LOGISTICS
& SUPPLY CHAIN MANAGEMENT
3RD YEAR 2ND SEMESTER 2020/2020 ACADEMIC YEAR

COURSE CODE: BBM 3322

COURSE TITLE: MANAGERIAL ACCOUNTING

EXAM VENUE:

STREAM: (BLSM)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer questions ONE 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) A manufacturer uses 2,000 kgs of material K2 in a year. The following details relate to the material:- Cost per unit sh 5, Order cost per order sh 5, Carrying cost per unit per year sh 2, Lead time 1 week

Determine

- i) The economic order quantity (EOQ) 4 Marks
- ii) The numbers of orders to be placed in one year 4 Marks
- iii) The time interval between orders 4 Marks
- iv) The total inventory cost. 4 Marks

b) The Country Director, World-vision Kenya, was noted having his opening remarks in a planning, programming, budgeting conference as follows:-

“It is only possible to achieve the overall objectives of an organization if there is strict adherence to the organizational Plans, set rules and Budget guidelines”

- i. Discuss any four comments to support his opening remarks 8 Marks
 - ii. Criticize his remarks 2 Marks
- c) Differentiate a fixed budget and a flexible budget 4 Marks

TOTAL: 30 MARKS

QUESTION TWO

a) (a) Vako ltd, a Kenyan based company is eyeing an investment project with the given cashflows. The cost of capital in Kenya is assumed to be 10%. After doing project analysis, the financial manager projects the company cash flows will be as follows;

Year	1	2	3	4	5
Cash flows shs	500,000	400,000	300,000	200,000	100,000

Find the IRR for the investment project

10 Marks

b) In his study of: “the impact of budgets on people” C Argyris reported the following comment by a financial controller on the practice of participation in setting budgets in his company:

“We bring in the supervisors of budget areas, we tell them that we want their frank opinion, but most of them just sit there and nod their heads. We know they are not coming out with exactly what they feel. I guess budget scares them”.

Explain why managers may be reluctant to participate fully in setting budgets, indicating the negative side effects, which may arise from the imposition of budgets by senior management.

(10 marks)

TOTAL: 20 MARKS

QUESTION THREE

- a) Discuss any four benefits of relying on Computerized Accounting Systems in organizations
8 Marks
- b) The sales director of a Shah Ltd reports that next year he expects to sell 50,000 units of a particular product. The production manager consults you as the procurement officer and casts his figures as follows.
Two kinds of raw materials A and B are required for manufacturing the product. Each unit of the product requires 2 units of A and 3 units of B. The estimated opening balances at the commencement of the next year of Finished products will be; 10,000 units, and of Raw materials A : 12,000 units; B 15,000 units.
The desirable closing balances at the end of the next year are expected to be; finished products: 14, 000 units; and for raw materials A : 13,000 units; B 16,000 units.

Required: as the procurement officer, draw up the materials purchase budget for shah ltd for the next financial year.

12 marks

TOTAL: 20 MARKS

QUESTION FOUR

- a) “Budgetary control means worrying before work rather than after work. Its keynotes are Planning, Co-ordination and Control.” Comment on this statement. 2 Marks
- d) Assume that you are planning to sell badges at the forthcoming Nairobi Show at Sh.9 each. The badges cost Sh.5 to produce and you incur Sh.2000 to rent a booth in the Show ground.

Required:

- i) Compute the breakeven point 4 Marks
- ii) Compute the margin of safety 4 Marks
- iii) Compute the number of units to be sold to earn a before tax profit of 20% 4 Marks
- iv) Compute the number of units that must be sold to earn an after tax profit of Sh.1640, assume tax rate is 3% 6 Marks

TOTAL: 20 MARKS

QUESTION FIVE

“Budgeting and Control offers valuable insights into the design and operation of management accounting information systems, but only under circumstances where an organization’s environment is stable and predictable and outcomes are clearly measurable.”

Required:

Comment on the relevance and validity of this statement highlighting the objectives of budgeting and control within organizations.

(20 marks)

TOTAL: 20 MARKS