



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

**UNIVERSITY EXAMINATION FOR BACHELOR OF BUSINESS
ADMINISTRATION (BBA-With IT)**

ABA 404: MANAGEMENT ACCOUNTING I

DURATION: 2 HOURS

MAIN CAMPUS

INSTRUCTIONS

1. Answer Question ONE and any other TWO Questions in this paper.
2. DO NOT write on the QUESTION paper, all writings should be done on the Examination Answer Booklet
3. Observe University Examination Rules and Regulations

QUESTION ONE

- a.) Define Management Accounting (2 Marks)
 - b.) Describe the difference between Management Accounting and Financial Accounting (5 Marks)
 - c.) Identify and describe the different users of accounting information (8 Marks)
 - d.) Explain each of the elements of the decision making planning and control process (10 Marks)
 - e.) State five conditions for successful budgeting. (5 Marks)
- (Total 30 Marks)**

QUESTION TWO

a) Define the following components of cost ascertainment in details and give examples of each.

- i.) Direct costs (4 Marks)
- ii.) Direct labour (4 Marks)
- iii.) Prime cost (4 Marks)
- iv.) Cost centre (4 Marks)
- v.) Overhead (4 Marks)

(Total 20 Marks)

QUESTION THREE

The production manager of XYZ Company, is concerned about the apparent fluctuation in efficiency and wants to determine how labour costs (in Sh.) are related to volume. The following data presents results of the 12 most recent weeks.

Week No.	Units Produced(X)	Labour Costs(Y)
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180
9	41	376
10	47	295
11	34	215
12	24	275

Required:

Estimate the cost function using:
Regression analysis

(20 Marks)

QUESTION FOUR

The opening cash balance on 1st January was expected to be £60,000. The sales budgeted were as follows:-

	£
November	160,000
December	180,000
January	150,000
February	150,000
March	160,000

Analysis of records shows that debtors settle according to the following pattern:

- 60% within the month of sale
- 25% the month following
- 15% the month following

Extracts from the purchase budget were as follows:

	£
December	120,000
January	110,000
February	90,000
March	110,000

All purchases that are on credit and past experience shows that 90% are settled in the month of purchase and the balance settled in the month after.

Wages are £30,000 per month and overheads of £40,000 per month (including £10,000 depreciation) are settled monthly.

Taxation of £16,000 has to be settled in February and the company will receive settlement of an insurance claim of £50,000 in March.

Prepare a cash budget for January, February and March.

(20 Marks)

QUESTION FIVE

- a.) A company makes a single product with a sales price of sh.20 and variable cost of sh.12. Fixed costs are sh.120, 000 p.a.

Calculate:

- i. Number of units to break-even **(2 Marks)**
- ii. Sales at break-even point. **(2 Marks)**
- iii. C/S ratio **(5 Marks)**
- iv. What number of units will need to be sold to achieve a profit of sh.40, 000 p.a.? **(4 Marks)**
- v. What level of sales will achieve a profit of sh.40, 000 p.a.?

- vi. As (d) above with a 40% tax rate. **(3 Marks)**
- vii. Because of increasing costs, the variable cost is expected to rise to sh.13 per unit and fixed costs to sh.280, 000 p.a. If the selling price cannot be increased, what will be number of units required to maintain a profit of sh.40, 000 p.a. (ignore tax)?

(4 Marks)

(Total 20 Marks)