



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE BACHELOR OF INTERNATIONAL**  
**TOURISM MANAGEMENT**  
**3<sup>RD</sup> YEAR 1<sup>ST</sup> SEMESTER 2022/2023 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: BEB9305 (BBM 3311)**

**COURSE TITLE: Managerial Accounting for Decision-Making**

**EXAM VENUE:**

**DATE:**

**DURATION: 2 HOURS.**

**INSTRUCTIONS**

- 1. Answer QUESTION ONE and any other TWO questions**
- 2. Show ALL your workings and be as NEAT as possible**
- 3. Candidates are advised not to write on the question paper**
- 4. Marks allocated to each question are shown at the end of the question.**

## QUESTION ONE

- a) Understanding of cost behaviour patterns is important in making financial planning and cost control decisions.

### Required:

In relation to the above statement, describe three ways in which costs might be classified according to behaviour. (6 marks)

- a) Firms utilize several different approaches to minimize inventory costs and maximize product availability at the same time. State and briefly explain four approaches that firms can use to minimize inventory cost. (8 marks)
- b) Evaluate any three assumptions of Cost Volume Profit (CVP) analysis. (6 marks)
- c) Kijito Kifugo Ltd has a daily usage rate of a certain product of 60 units per day its order lead time is 26 days. The firm has Safety stock: 314 units (9 days supply at the current daily usage rate). **Required:** Determine the reorder point in units. (2 marks)
- d) The following information relates to Ngumi Limited which manufactures a single type of detergent. Overhead processing costs for the past 8 months have been given as follows;

Month	Machine hours Sh “000”	Overhead costs. (Sh “000”)
January	10.6	120
February	17	180
March	4	70
April	21	184
May	19	178
June	7.8	100
July	14	172
August	12	154

**Required;-** Equation in form of  $y = a + bx$  using least squares method (8 marks).

## QUESTION TWO

The following information was extracted from the books of Lutomia Ltd, a company trading in Industrial Area.

Month	Sales	Purchases
2022	Shs.	Shs.

April	150,000	100,000
May	160,000	110,000
June	160,000	90,000
July	170,000	90,000
August	200,000	80,000
September	200,000	130,000
October	180,000	140,000
November	180,000	60,000
December	200,000	60,000

Additional information:

- Cash in hand at the end of May 2022 will be shs. 180,000
- 60% of the sales proceeds are received in the current month, 30% in the following month and the balance is received two months after sale.
- Suppliers are paid one month after delivery of goods.
- Corporation tax for 2020 amounting to shs 20,000 will be paid on 30<sup>th</sup> September 2022.
- Contractor's retention monies amounting to sh. 50,000 will be paid on 30<sup>th</sup> June, 2022.
- The shareholders at their last Extraordinary General Meeting increased the share capital by shs. 70,000 and the first call of shs. 40,000 will be received in October, 2022.
- In October 2022, the company is due to receive shs. 20,000 as compensation for a civil suit.
- The monthly administration expenses amounting to shs. 33,000 include factory depreciation charge of shs. 7,000.
- Office equipment worth shs 13,000 will be paid for in November 2022.

**Required:** Prepare a cash budget for the period 1<sup>st</sup> June to 31<sup>st</sup> December 2022. (20 marks)

### QUESTION THREE

- Distinguish between Trend analysis and Cross sectional analysis in the context of ratio analysis. (4 marks)
- A company has a budget summary as follows:
  - Fixed costs: shs. 4,000,000
  - Variable cost per unit shs 3,000
  - Selling price per unit shs. 4,000
  - Sales will be in the range up to 12,000 units.
 Required: determine sales revenue and sales volume at which the company budget will show:
  - Break even position. (2 marks)
  - Net profit of sh. 4,000,000. (3 marks)
  - Net loss of sh. 5,000,000. (3 marks)
- Discuss two assumptions of Economic order quantity (EOQ) model (2 marks)

- a) c) Describe the scope of management accounting. (6 marks)

#### QUESTION FOUR

- a) Distinguish between an Economist's and an Accountant's break-even charts (8 marks)
- b) A Company anticipates Sh.150 million in cash outlays during the next year. The outlays are expected to occur equally throughout the year. The company's treasurer reports that the firm can invest in marketable securities yielding 8% and the cost of shifting funds from marketable securities portfolio to cash is Sh.7, 500 per transaction. Assume the company will meet its cash demands by selling marketable securities. Using the Baumol model:
- Determine optimal size of the company's transfer of funds from marketable securities to cash. (4 marks)
  - What will be the company's average cash balance? (2 marks)
  - How many transfers from marketable securities to cash will be required during the year? (2 marks)
  - What will be the total cost associated with the company's cash requirements? (4 marks)

#### QUESTION FIVE

- a) Beta Ltd is reviewing the financial statements of two companies, Zeta Ltd and Omega Ltd. The companies trade as wholesalers, selling electrical goods to retailers on credit. Their most recent financial statements appear below.

PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

*Zeta Limited*

*Omega Limited*

	Shs''000''	Shs''000''	Shs''000''	Shs''000''
Sales		4,000		6,000
Cost of sales				
Opening stock	200		800	
Purchases	<u>3,200</u>		<u>4,800</u>	
	3,400		5,600	
Less: closing stock	<u>400</u>		<u>800</u>	
		<u>3,000</u>		<u>4,800</u>
Gross profit		1,000		1,200
Expenses				
Distribution costs	200		150	
Administrative expenses	290		250	
Interest paid	<u>10</u>		<u>400</u>	
		<u>500</u>		<u>800</u>
Profit before tax		500		400
Taxation		<u>120</u>		<u>90</u>
Net profit for the period		<u>380</u>		<u>310</u>

**Balance Sheets As At 31 March 2018**

	<i>Zeta Limited</i> Shs''000''	Shs''000''	<i>Omega Limited</i> Shs''000''	Shs''000''
Fixed assets				
Tangible assets				
Warehouse and office buildings	1,200		5,000	
Equipment and vehicles	<u>600</u>		<u>1,000</u>	
		1,800		6,000
Current assets				
Stock	400		800	
Debtor – trade	800		900	
- sundry	150		80	
Cash at bank	<u>-</u>		<u>100</u>	
	<u>1,350</u>		<u>1,180</u>	
Current liabilities				
Creditors – trade	(800)		(800)	
- sundry	(80)		(100)	
Overdraft	(200)		-	
Taxation	<u>(120)</u>		<u>(90)</u>	
		<u>150</u>		<u>890</u>
		1,950		6,890
Long-term loan (interest 10% pa)		<u>-</u>		<u>(4,000)</u>
		<u>1,950</u>		<u>2,890</u>
Share capital		1,000		1,600
Revaluation reserve		-		500
Profit and loss account		<u>950</u>		<u>790</u>
		<u>1,950</u>		<u>2,890</u>

**Required:** Calculate for each company a total of eight ratios which will assist in measuring the three aspects of profitability, liquidity and management of the elements of working capital. Show all workings. (16 marks)

- b) Apart from ratio analysis, explain any two analytical techniques that may be used to analyze and provide an interpretation of given financial statements. (4 marks).