



**JARAMOGI OGINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS AND ECONOMICS**

**MASTERS OF BUSINESS ADMINISTRATION**

**TIME: 3.00 HOURS**

**UNIVERSITY EXAMINATION**

**MAIN CAMPUS (EVENING)**

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**COURSE CODE: MBA 810**

**COURSE TITLE: MANAGEMENT ACCOUNTING**

**DATE: 22/12/2022**

**SESSION: 9.00-12.00NOON**

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**INSTRUCTIONS:**

- 1. Answer ANY FOUR 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**
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### QUESTION ONE (15 MARKS)

- a) Examine the limitations and the assumptions of Cost Volume Profit (CVP) Model (8 marks)
- b) A manager has a choice between:
- i) A risky contract promising shs. 7 million with probability 0.6 and shs. 4 million with probability 0.4 and
  - ii) A diversified portfolio consisting of two contracts with independent outcomes each promising Shs. 3.5 million with probability 0.6 and shs. 2 million with probability 0.4

#### Required:

Arrive at the decision using EMV method? (7 marks)

### QUESTION TWO(15 MARKS)

- a) Discuss the following cost estimation methods:
- i) Engineering method
  - ii) High low method
  - iii) Account analysis
  - iv) Visual fit method
  - v) Regression analysis (5 marks)

- a) The following data have been collected on costs and output:

Output (000s)	1	2	3	4	5	6	7
Costs (sh.000s)	14	17	15	23	18	22	31

Calculate the coefficients in the linear cost function( $y = a + bx$ ) using

- i) The Normal Equation (5 marks)

And

- (ii) The coefficient formulae (5 marks)

### QUESTION THREE(15 MARKS)

- a) Discuss in details the steps involved budget making process (8 marks)
- b) A company had annual demand of 800,000 units the purchase per unit is 80 while the cost of pressing are order is Sh.4,000. The annual inventory holding cost is 5% of the inventory value. Currently the company has been purchasing 20000 units time, they place an order.

**Required:**

- i) Calculate the total cost of current inventory policy (3 marks)
- ii) Calculate the EOQ (2 marks)
- iii) Calculate the cost savings if the company adopts EOQ policy (2 mark)

**QUESTION FOUR(15 MARKS)**

Assume that you are planning to sell 600 badges at the forthcoming Nairobi show at a sh. 9 each. The badges cost sh. 5 to produce and you incur sh. 2000 to rent a booth in the showground

**Calculate the; -**

- a) Break-even point in units and in shillings (4 marks)
- b) Margin of safety in units % and I shillings (4 marks)
- c) Number of units that must be sold to earn a profit before of 20% of sales (4 marks)
- d) Number of units that must be sold to earn an after tax profit of sh. 1,640 assuming that the tax rate is 30% (3 marks)

**QUESTION FIVE(15 MARKS)**

- a) Discuss the Rules and limitations of Game Theory (4 marks)
- b) Identify and explain three types of decision-making environments. (3 marks)
- c) A company is considering investing in one of three investment opportunities A, B and C under certain economic conditions. The payoff matrix for this situation is economic condition.

Investment opportunities	1 £	2 £	3 £
A	5,000	7,000	3,000
B	-2,000	10,000	6,000
C	4,000	4,000	4,000

Determine the best investment opportunity using the following criteria.

- i) Maximin
- ii) Maximax
- iii) Minimax
- iv) Hurwicz (Alpha = 0.3)

(8 marks)

**QUESTION SIX(15 MARKS)**

- a)** Zero based and Activity based budgeting, are both not necessarily perfect business practices. Discuss (8 marks)
  
- b)** Full cost plus and Marginal cost plus pricing are very important pricing decision tools that management accountants frequently apply in business decision making processes. With the help of relevant examples, discuss. (7 marks)