Instructions:

1. Answer Question ONE (COMPULSORY) 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.

Attempt Question One (Compulsory) and any other two questions.
Question One (Compulsory)

(a) State the differences between managerial accounting and financial accounting (10 mks)

(b) Explain the characteristics of consumer behavior (10 mks)

(c) ABC company has the following contribution margin income statement:

<table>
<thead>
<tr>
<th></th>
<th>Total (sh)</th>
<th>per unit (sh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (20,000)</td>
<td>1,200,000</td>
<td>60</td>
</tr>
<tr>
<td>Less variable costs</td>
<td>(900,000)</td>
<td>(45)</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>300,000</td>
<td>15</td>
</tr>
<tr>
<td>Less fixed costs</td>
<td>(240,000)</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>60,000</td>
<td></td>
</tr>
</tbody>
</table>

Required:

i. Calculate Break Even Point

ii. Margin of safety (10 mks)

Question Two

(a) Explain the methods of apportionment in Joint costs (10 mks)

(b) Explain the meaning of the following nature of costs (10 mks)

i. Fixed costs

ii. Semi-fixed costs

iii. Overhead costs

iv. Variable costs

v. Semi-variable costs

Question Three

(a) Explain the advantages of budgeting and budgetary control (10 mks)

(b) XYZ company produces tubes of motor cycles. The following information was provided for the year 2016.

Sh.

Production 20,000 tubes
Sales 15,000 tubes

Production costs:
- Direct material 2,400,000
- Direct labour 600,000
- Variable overheads 500,000
- Fixed overheads 900,000

Selling and Administration;
- Sales commission 250,000
- General expenses 160,000
- Overheads (Fixed) 240,000

The company sells each tube at a price of sh.300

Required:
i. Profit and Loss account on the basis of marginal costing. (10 mks)

**Question Four**

(a) Explain the problems of standard costing. (10 mks)

(b) The following information relates to Jambo Traders for the year ended 31-12-2016

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Sh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicle expenses</td>
<td>12,000</td>
</tr>
<tr>
<td>Rent received</td>
<td>20,000</td>
</tr>
<tr>
<td>Closing inventory</td>
<td>30,000</td>
</tr>
<tr>
<td>Rent &amp; Rates payable</td>
<td>50,000</td>
</tr>
<tr>
<td>Motor van cost less depreciation</td>
<td>63,000</td>
</tr>
<tr>
<td>Annual depreciation – motor van</td>
<td>15,000</td>
</tr>
<tr>
<td>Heat &amp; Light</td>
<td>9,000</td>
</tr>
<tr>
<td>Telephone &amp; postage</td>
<td>4,500</td>
</tr>
<tr>
<td>Sales</td>
<td>974,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>683,500</td>
</tr>
</tbody>
</table>
### Insurance
- Insurance: 7,500
- Loan interest payable: 6,200
- Salaries & Wages: 104,000
- Opening inventories: 40,000
- Bank balances: 47,800

**Required:**

i. Prepare an income statement for the year ended 31-12-2016. (10 mks)

---

**Question Five**

(a) Explain the functions of managerial accounting (10 mks)

(b) Manufacturing company provided the following data for its operation for the 2015.

<table>
<thead>
<tr>
<th>Standard costs per product unit:</th>
<th>Sh.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct material</td>
<td>60</td>
</tr>
<tr>
<td>Direct labour</td>
<td>80</td>
</tr>
<tr>
<td>Variable overheads</td>
<td>20</td>
</tr>
<tr>
<td>Fixed overheads</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>200</td>
</tr>
</tbody>
</table>

Units

Opening stock: 20,000
Production: 180,000
Closing stock: 40,000
Sales: 160,000

Selling and Administration expenses sh.
- Variable: 4,000,000
- Fixed: 2,000,000
- Selling price per unit: 300

**Required:**

i. Profit and Loss account using absorption costing method (10 mks)