



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF**  
**INTERNATIONAL TOURISM MANAGEMENT**  
**3<sup>RD</sup> YEAR 2<sup>ND</sup> SEMESTER 2019/2020 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: BBM 3311**

**COURSE TITLE: MANAGERIAL ACCOUNTING FOR DECISION MAKING**

**EXAM VENUE:** **STREAM : (BLSC)**

**DATE:** **EXAM SESSION:**

**TIME: 2 HOURS**

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**Instructions:**

- 1. Answer Questions ONE (COMPULSORY) with reference to the case in section A and ANY other 2 questions in section B**
- 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.**

1.
  - a) Management Accounting provides information to management for decision making. Highlight the qualities necessary for the accounting information to satisfy this need. (10 marks)
  - b) Calculate the EOQ from the following information. Also state the number of orders to be placed in a year. Consumption of materials per annum is 1000kg, ordering costs per order shs50, cost per kg of raw materials is shs. 2 and storage costs is 8% on average inventory (5 marks)
  - c) Explain the qualities of good material system (8 marks)
  - d) Highlight the reasons why ratios must be used along with other measures in financial statement analysis (7 marks)
  
2.
  - a) A company budgets for production of 150,000 units. The variable cost per unit is shs 14 and fixed cost is shs 2 per unit. The company fixes its selling price to fetch a profit of 15% on profit.
    - i. What is the company's break-even point?
    - ii. What is the profit-volume ratio?
    - iii. If it reduces its selling price by 5%, how will the revised selling price affect the break-even point and the profit-volume ratio?
    - iv. If a profit increase of 10% more than the budget is desired, what should be the sales at the reduced prices? (12 marks)
  - b) Explain the elements of a successful budgeting plan (8 marks)
  
3.
  - a) Explain the sources of working capital (8 marks)
  - b) The following summarized balance sheet relate to Track Limited:

	20X0	20X1
	£'000	£'000
Fixed assets at cost	500	650
Less Accumulated depreciation	<u>200</u>	<u>300</u>
	<u>300</u>	<u>350</u>
Investments at cost	<u>200</u>	<u>50</u>
Current Assets		
Stocks	400	700
Debtors	1,350	1,550
Cash at bank	<u>100</u>	=
	<u>1,850</u>	<u>2,250</u>
Current liabilities		
Bank overdraft	-	(60)

Creditors	(650)	(790)
Taxation	(230)	(190)
Proposed dividend	(150)	(130)
	<u>(1,030)</u>	<u>(1,170)</u>
	<u>1,320</u>	<u>1,480</u>
Capital and reserves		
Called-up share capital (£1 ordinary share)	500	750
Share premium account	150	200
Profit and loss account	<u>670</u>	<u>530</u>
	<u>1,320</u>	<u>1,480</u>

Additional information:

- During the year to 30<sup>th</sup> June 20X1, some fixed assets originally costing £25,000 had been sold for £20,000 in cash. The accumulated depreciation on these assets at 30 June 20X0 amounted to £10,000. Similarly, some of the investment originally costing £150,000 had been sold for cash at their book value.
- The taxation balances disclosed in the above balance sheets represent the actual amounts agreed with taxation authority. All taxes were paid on their due dates. Advance corporation tax may be ignored.
- No interim dividends was paid during the year to 30 June 20X1.
- During the year to 30 June 20X1, the company made a 1-for-2 rights issue of 250 ordinary shares at 120p per share.

Required:

Prepare Track Ltd's cashflow statement for the year to 30 June 20X1 using the indirect method. (12 marks)

4. The following financial statement is summarized from the books of Armstrong Ltd as at 31 March 2012:

Capital and Liabilities	As at 31.3.2012 Shs.	Property and Assets	As at 31.3.2012 Shs.
Paid up capital	1,500,000	Fixed Assets	1,650,000
Reserves and Surplus	600,000	Stock in trade	910,000
Debentures (long term)	500,000	Book debts	1,240,000
Bank Overdraft	200,000	Investment (short term)	160,000
Sundry creditors	<u>1,200,000</u>	Cash	<u>40,000</u>
	<u>4,000,000</u>		<u>4,000,000</u>

Annual sales shs. 7,400,000

Gross Profit 744,000

You are required to calculate the following ratios for the year and comment on the financial position as revealed by these ratios:

- a) Debt Equity Ratio
  - b) Current Ratio
  - c) Proprietary Ratio
  - d) Debtors Turnover Ratio
  - e) Stock Turnover Ratio (20 marks)
5. a) At the beginning of October, the Bombay Finance Company had 10,000kgs of fur at sh.2 per kilo. Further purchases were made during the month as follows:

4 <sup>th</sup> Oct	2000 kg	Sh. 2.50 per kg
11 <sup>th</sup> Oct	5000 kg	Sh. 3.00 per kg
20 <sup>th</sup> Oct	10,000 kg	Sh. 3.50 per kg

The issues to manufacture were as follows:

12 <sup>th</sup> Oct	16,000 kg
28 <sup>th</sup> Oct	10,000 kg

What would be the value of closing stock at the end of the month if materials were issued by:

- i. First-in, First-out method
  - ii. Weighted Average method
  - iii. Last-in, Last-out method (12 marks)
- b) Using a hypothetical example, compare any two pricing methods you would use to price a tourism product (8 marks)

# JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY SCHOOL BUSINESS AND ECONOMICS (SBE)

DEPARTMENT OF ACCOUNTING AND FINANCE

## COURSE OUTLINE

UNIT CODE: BBM3311: Managerial Accounting for Decision Making

CREDIT HOURS: 43

ACADEMIC YEAR 2013/2014

COURSE INSTRUCTOR :LameckOchieng Cell Phone: 0722-430885 Email: lameckwycliffe@yahoo.com

### Purpose

To develop the students' ability in understanding financial statements and to apply the knowledge and skills learned in decision making.

### Course Descriptions:

Operational Costs; Material Cost Control; Stock Valuation; Break Even Point Analysis; Pricing methods and Strategies; Budgeting and Budgetary Control; Interpretation of Financial statements and Reports; Assessing performance out of Financial Reports; Cash Flow Management; Credit and Debt Management; Use of financial Ratios; Financial Decision – Making and Management for tourism

### Learning Outcomes

At the end of this course the student should be able to :

- Be able to read and interpret financial statements of a company
- Apply the knowledge in decision making
- Identify and prepare financial statements

Class Schedule	Contents/Topics	Reference Texts
Week 1	Management Accounting; what, why and its relationship with other branches of Accounts; Terminologies	Drury, Colin - Cost and Management Accounting
Week 2	Decision Making; Process, Information, and qualities of good information	Drury, Colin - Cost and Management Accounting
Week 3 & 4	Materials Cost Control; purchasing process, stores control and stock levels and valuation of material issues	Lal, Dr. Jawahar – Accounting for Mangement; Saleemi, N. A; Cost Accounting

Week 5	Pricing methods and strategies	Drury, Colin - Cost and Management Accounting
Week 6	CONTINUOUS ASSESSMENT TEST (CAT ONE)	
Week 7	Budgeting and Budgetary Control	Drury, Colin - Cost and Management Accounting
Week 8	Interpretation of Financial Reports	Pandey, I.M - Financial Management
Week 9	Assessing Performance out financial Reports; Cash Flow statement	Pandey, I.M - Financial Management
Week 10	CONTINUOUS ASSESSMENT TEST (CAT TWO)	
Week 11	Assessing Performance out financial Reports; Credit and Debt Management	Pandey, I.M - Financial Management
Week12	Assessing Performance out financial Reports; Use of Financial Ratios	Pandey, I.M - Financial Management
Week 13	Financial Decision – Making and Management for Tourism	Lucey, T. - Cost and Management Accounting
Week 14	End of Semester examinations	

**Instructional Methodologies:** Class Discussions, Class Lectures, Group presentations and Assignments

**Course Assessments:** Learners registered for the units are required to complete all CATs which comprise of 30% (15% CAT 1 and 15% CAT2) and University examination 70%

**Policy issues:**

1. All students must attend classes and actively participate
2. Students must be punctual to be in class 15minutes before lectures begins
3. Class representative should consult with the Course instructor immediately in case of any inconvenience caused by lateness.

**Course Instructor Signature**.....

**Date** .....

**Approved by HOD:**

**Signature**.....

**Date**.....