



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR DIPLOMA IN BUSINESS ADMINISTRATION**  
**2<sup>ND</sup> YEAR 1<sup>ST</sup> SEMESTER 2016/2017 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: BBM 2215**

**COURSE TITLE: MANAGERIAL ACCOUNTING AND CONTROL**

**EXAM VENUE: LAB 1**

**STREAM: (DBA)**

**DATE: 06/05/2016**

**EXAM SESSION: 2.00 – 3.30 PM**

**TIME: 1<sup>1/2</sup> HOURS**

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**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.**

## QUESTION 1

- a) Describe the differences between Managerial Accounting and Financial Accounting (5marks)
- b) Identify and describe the different users of accounting information (5marks)
- c) Explain the benefits of preparing a budget (5marks)
- d) State the assumptions of Cost Volume Profit analysis (5marks)
- e) Discuss the behavioural classification of costs, explaining four terms used therein (10marks)

## QUESTION 2

a) Kings Collection Kenya Limited produced socks in 2005 and made the following data available. As a management accountant, you are required to present to the Management of Kings Collection Kenya Limited the profit based on variable costing and absorption costing respectively. (10 marks)

|                             |                    |
|-----------------------------|--------------------|
| Selling price               | Ksh.50.00 per unit |
| Variable manufacturing cost | Ksh18.00 per unit  |
| Fixed manufacturing cost    | Ksh.30,000.00      |

Selling and administrative costs:

|                |                   |
|----------------|-------------------|
| Fixed          | Ksh.20,000.00     |
| Variable       | Ksh.8.00 per unit |
| Units produced | 30,000 units      |
| Units sold     | 25,000 units      |

- b) Explain five limitations of break-even analysis. (10marks)

## QUESTION 3

Explain briefly how the following methods are used in cost estimation:

- i. Account Analysis
- ii. Engineering Analysis
- iii. Scatter Graph Method
- iv. High Low Method
- v. Regression Analysis

(20marks)

#### QUESTION 4

- a) State five conditions for successful budgeting. (5 Marks)  
b) The opening cash balance on 1st January was expected to be £30,000. The sales budgeted were as follows:-

|          | £      |
|----------|--------|
| November | 80,000 |
| December | 90,000 |
| January  | 75,000 |
| February | 75,000 |
| March    | 80,000 |

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 | 60,000 |
| January  | 55,000 |
| February | 45,000 |
| March    | 55,000 |

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 £15,000 per month and overheads of £20,000 per month (including £5,000 depreciation) are settled monthly.

Taxation of £8,000 has to be settled in February and the company will receive settlement of an insurance claim of £25,000 in March.

Prepare a cash budget for January, February and March. (15 marks)

#### QUESTION 5

- a) Briefly explain the meaning of the following terms as used in standard costing:
- Basic standards (2 marks)
  - Current standards (2 marks)
  - Ideal standards (2 marks)
  - Normal standards (2 marks)
- b) The following data relates to the production department of Wananchi Production Company Limited for the week ended 31 August 2001.
- |                                  |              |
|----------------------------------|--------------|
| Standard output for 40 hour week | 14,000 units |
| Standard fixed overhead          | Sh 140,000   |
| Actual output                    | 12,000 units |
| Actual hours worked              | 32 hours     |
| Actual fixed overhead            | Sh 150,000   |
- Required:**
- The expenditure and volume variances. (4 marks)
  - Analysis of the volume variance between capacity and productivity. (4 marks)
  - Briefly comment on two possible causes of each variance in (i) above. (4 marks)