KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

DIGITAL SCHOOL OF VIRTUAL AND OPEN LEARNING

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BAC 814: MANAGEMENT ACCOUNTING

DATE: Thursday, 21st June 2018 **TIME:** 2.00 p.m. - 5.00 p.m.

INSTRUCTIONS:

1) **ANSWER ALL QUESTIONS**
2) **MARKS ARE INDICATED FOR EACH QUESTION**

1. Pakom Ltd has a choice of two machines to select one machine. The details of the machines are given as follows:

Machine	Automatic	Semi-automatic
Annual output	10,000 units	10,000 units
Fixed Costs (sh)	30,000	16,000
Profit at the above level of Production (sh)	30,000	24,000

Market price of the product to be produced is shs. 10 per unit.

Required:

1. Break-even point for each machine. (15 Marks)
2. Level of sales at which profit is the same for the machines. (5 Marks)
3. Range of sales at which one is more profitable than the other. (5 Marks)

2. From the information provided in respect of an engineering company which product mix will give the highest profit achievable? Would you recommend overtime working of upto 15,000 hours at double the minimal wages? Ignore overheads for this question.

Products	X	Y	Z
Raw material per unit (Kg)	10	6	15
Labour hours per unit at shs.1.00			
Hour shillings	15	25	20
Selling price per unit (shs)	125	100	200
Maximum production possible			
(units)	6,000	4,000	3,000

100,000kg of raw materials are available at sh.10 per kg. Maximum production hours are 184,000 with facility for a further 15,000 hours on overtime at double the normal wage rate. (25 Marks)

3. A product passes through two distinct processes before reaching the stores. Through experience losses are estimated at 2% for process A and 10% for process B. In each case the percentage of wastage is computed on the number of units entering the process concerned. The sales realization for wastages in process A and B are shs.25 per 100 units and shs.50 per 100 units respectively. The following information is based on the month of January, 2018. 40,000 units of raw materials entered process A at a cost of shs.16,000. Other details are as follows:

Process	A	B
	Sh.	Sh.
Other materials	16,000	5,000
Labour	9,000	8,000
Expenses	8,200	7,500
Output units	39,000	36,500
Finished stock:		
January 1	6,000	5,000
January 31	5,000	8,000
Value of stock per unit		
January 1	Sh.1.20	1.60

Required:

Show process Accounts (25 Marks)

4. a) Explain three ways of sharing costs when a process has more than one product.

   b) Discuss with suitable examples the two types of fixed costs. (6 Marks)

   c) Discuss the role of management accounting - the access of business. (10 Marks)