



NURTURING INNOVATORS

**RIARA SCHOOL OF BUSINESS
JANUARY –APRIL 2024 TRIMESTER
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION
EVENING PROGRAMME**

RAC 202: PRINCIPLES OF MANAGEMENT ACCOUNTING

APRIL 2024

TIME: 2 HOURS

GENERAL INSTRUCTIONS:

Students are NOT permitted to write on the examination paper during reading time.

This is a closed book examination. Textbook/Reference books/notes are not permitted.

SPECIAL INSTRUCTIONS:

1. Write your REGISTRATION NO. Clearly on the answer booklet(s).
2. Answer Question One and ANY other TWO questions.
3. Questions in all sections should be answered in the answer booklet(s).
4. Marks allocated to each question are shown at the end of the question.
5. PLEASE start the answer to EACH question on a NEW PAGE.
6. For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
7. Write your answers in paragraph form unless stated otherwise.
8. Keep your phone(s) SWITCHED OFF at the front of the examination room.
9. Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
10. You are only allowed to leave the examination room 30minutes to the end of the Examination.

QUESTION ONE

(a) Mwembe Tayari company Ltd do not have a Management Accountant. The Financial Accountant of the company who perform the roles of Management Accountant is wondering on the method the company will apply to estimate the cost of the company's products. The Financial Accountant has talked with the Management Accountant of ABC Ltd who has advised that the company can apply the High Low method of cost estimation. Using the previous data the company has extracted the below data.

Number of units (x)	cost of products (y)
100	895
80	700
200	1294
400	1680
450	2550

(a) Required using the High Low Method method of cost estimation obtain the cost function of the following data. **(14marks)**

(b) use the estimating function computed in (a) above to estimate the cost of producing 430 units. **(4marks)**

(c). *Management Accountants should behave ethically in their decision-making process. Describe four standards of ethical conduct developed by the Institute of Management Accountants (IMA).* **(8marks)**

(d)Maji Mazuri company Ltd has hired you as a Management Accountant. The following information has been provided to you about a given Supplier. Supplier offered 5,000 units of a key part for Sh.60,000. The same quote offered 4,000 units for Sh.50, 000. Required advise the company on the apparent variable cost per unit? **(4marks)**

QUESTION TWO

(a) Cost Volume and Profit (CVP) models applies under certain assumptions. Required describe any **FIVE** such assumptions **(10 marks)**

(b) Equi-solutions Ltd. was formed ten years ago to provide business equipment solutions to local business. It has separate divisions for research, marketing, product design,

technology and communication services, and now manufactures and supplies a wide range of business equipment. To date the company has evaluated its performance using monthly financial reports that analyze profitability by type of equipment. The managing director of Equi-solutions Ltd. has recently returned from a course in which it has been suggested that the “Balanced Scorecard” could be a useful way of measuring performance.

Required:

Explain the “Balanced Scorecard” and how it could be used by Equi-solutions Ltd to measure its performance. **(10 marks)**

QUESTION THREE

- (a) It is crucial for an organization to have budgetary planning and control systems which are effective. Required describe any **FIVE** objectives of budgetary planning and control **(10 marks)**
- (b) Watamu ltd is a company that has been in business for the last 10 years. The company has recently introduced a new product called Q. The Sales Manager of the company has approached you as a Management Accountant on the factors the company need to consider when setting the prices of product Q. You are required to advise the Sales Manager of the company on **TEN** factors they need to consider when setting the prices of product Q. **(10 marks)**

QUESTION FOUR

(a) The cost of making component B 56 is given as below

	Shs
Direct material	100
Direct lab our	60
Production overheads	<u>50</u>
	210

The production overhead is 40% variable. The component could be bought at sh. 160 from an outsider supplier.

Required

(a) Advice whether to make or buy the component (10 marks)

(b) List **FIVE** factors will you advise the company to consider as a Management Accountant before making the decision of either buying or making the component. (5 marks)

(c) ABC company Ltd is considering introducing a new product and the following costs about the product has been estimated. Material shs 10 per unit, labour shs 8 per unit. Variable overheads shs 5 per unit. Fixed overheads have been estimated to be shs 50,000 per year and the budgeted production is 10,000 units per year. Required using the full cost plus 20% calculate the selling price per unit (5marks)