



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY - APRIL 2017 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 403

COURSE TITLE: ADVANCED MANAGEMENT ACCOUNTING

DATE: 3 APRIL 2017

TIME: 3.00 PM – 6.00 PM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: All exam rooms are under CCTV surveillance during the examination period.

SECTION A: COMPULSORY (40MARKS)

QUESTION ONE

- (a) Discuss three risk attitudes that differentiate decision makers. **(9marks)**
- (b) Discuss the key assumptions made in relevant costing. **(6marks)**
- (c) Management accounting is crucial in a business organization. Discuss. **(10marks)**
- (d) Why do business organization have to make decisions every other time even those that have been in existence for many years? **(15marks)**

SECTION B

Question Two

- (a) Explain four differences between management accounting and financial accounting (8marks)
- (b) Briefly explain the following terms:
 - (i) Fundamental uncertainty **(2marks)**
 - (ii) Risk neutral **(2marks)**
 - (iii) Semi variable cost **(2marks)**
- (c) Cost volume profit analysis is an estimating concept that may be used in a variety of pricing. Explain three ways in which it may be used. **(6marks)**

Question Three

- (a) Brass Company had the following alternatives of make or buy products.

Illustration:

Description	Make Kshs	Buy
Direct Material	480,000	3,240,000
Direct labour	1,440,000	
Variable overheads	720,000	
Fixed Cost	1,200,000	

An offer has been received from an external supply at kshs. 3,240,000. But out of the fixed cost of kshs. 1,200,000, 30% can be avoided by buying. Will the offer be accepted?

(12marks)

(b) Discuss the four main environment within which decisions are made.

(8marks)

Question Four

(a) The selling price of an item is kshs. 6,000 and the total variable cost per unit is kshs, 4,800 and the total variable cost is kshs. 300,000.

(i) Compute breakeven in units.

(6marks)

(ii) Compute breakeven in kshs

(6marks)

(b) Discuss two uses of cost-volume-profit analysis.

(8marks)

Question Five

(a) Jambo Mat manufacturing company produces tiles. If they produce the tiles themselves the variable cost is kshs. 640 per unit and if they source from a supplier the variable cost is kshs 1,120 and the selling price is kshs. 1,280. Jambo Mat management must decide whether to produce or purchase from the supplier.

Demand	Probability
64,000	0.4
112,000	0.5
176,000	0.1

Required:

- (i) Compute the expected demand **(6marks)**
- (ii) Compute expected profit **(6marks)**
- (b) The fixed cost of production of a manufacturing company is kshs. 2,000,000, the variable cost is kshs. 400 per unit and the volume produced is 400,000 units. Calculate the total cost of production. **(4marks)**
- (c) Explain two methods of computing cost volume profit analysis. **(4marks)**