



# **GRE TSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY – AUGUST 2023 SEMESTER**

### **BACHELOR OF COMMERCE**

**COURSE CODE: BCAC 301**

**COURSE TITLE: MANAGEMENT ACCOUNTING**

**DATE: 2 AUGUST 2023**

**TIME: 8:00AM - 11:00AM**

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#### **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

### Question One

- a) Describe the concept of budgeting and its importance in management accounting. [15 Marks]
- b) Discuss the different types of budgets that organizations use and explain how they are prepared. [15 Marks]
- c) Explain the terms relevant costs and irrelevant costs in decision-making. [10 Marks]

## SECTION B: ANSWER ANY THREE QUESTIONS

### Question Two

- a) Describe the concept of cost behavior and explain the different cost classifications. Provide examples of each cost classification. [12 Marks]
- b) Explain the term management accounting and explain its role in an organization. [8 Marks]

### Question three

- a) Explain the term cost-volume-profit (CVP) analysis and explain how CVP analysis can be used to make informed business decisions. [14 Marks]
- b) Explain the difference between standard costing and actual costing. [6 Marks]

### Question Four

- a) Explain the three main risk attitudes which face the management when making decision under risk and uncertain environments. [6 Marks]

b) Lara Company Limited produces two products, Product A and Product B. The following information is available:

Product A: Sales price = Kshs.5,000 per unit, variable cost = Kshs.3,000 per unit, fixed costs = Kshs.2,000,000.

Product B: Sales price = Kshs,8,000 per unit, variable cost = Kshs. 5,000 per unit, fixed costs Kshs.3,000,000.

#### Required:

Compute the break-even point in units for each product and the overall break-even point in sales shillings. [14 Marks]

### Question five

- a) Explain two emerging issues in management accounting. [6 Marks]
- b) Velez Ltd produces and sells one product only, the Teri. The standard cost for one unit being as follows:

Direct Material A-10kgs at Kshs.60per kg	600
Direct material B-5 litres at Kshs.18 per litre	90
Direct wages-5 hours at Kshs.18 per hour	90
Fixed production overhead	<u>140</u>
Total standard cost	<u>920</u>

The fixed overhead included in the standard cost is based on an expected monthly output of 1,800 units

During April Year 1 the actual results were as follows:

Production 2400 units  
Material A 11,700 KGS used Shs.239,850  
Material B 6,450 litres used Shs.35,475  
Direct Wage 6,300 hours worked Shs.36,225  
Fixed overhead Shs.141,000

**Required:**

- i) Calculate price and usage variances for each material **[5 Marks]**
- ii) Calculate labour rate and efficiency variances **[5 Marks]**
- iii) Calculate fixed production overhead expenditure and volume variances **[4 Marks]**