



# **MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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## **University Examinations 2024/2025**

**FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF  
BUSINESS ADMINISTRATION**

### **BFA 5106: MANAGEMENT ACCOUNTING**

**DATE: JANUARY 2025**

**TIME: 3 HOURS**

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**INSTRUCTIONS:** Answer question *one* and any other *three* questions

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#### **QUESTION ONE (30 MARKS)**

- a) You are appointed the Cost Management Accountant of a firm and the CEO demands a report on performance of the staff. What steps do you take to provide a reliable and credible report for decision making? (4 marks)
- b) Integrity is choosing to do the right thing even when no one is watching. How do integrity issues affect the value of the firm? Discuss four ethical standards as developed by Institute of Management Accountants and various ways in which ethical issues can be addressed at the work place. (8 marks)
- c) The following records have been obtained from the books of King Pin Ltd, firm dealing with computer repairs and maintenance

Week	number of computers purchased	Total cost (Sh)
1	310	23,200
2	200	19,500

3	600	23,600
4	480	20,220
5	460	23,600
6	440	18,480
7	420	16,200
8	330	20,200

Required:

- a) Draw a Scatter graph and deduce the line of best fit. (4 marks)
- b) Using the Range method, determine the cost of purchasing 480 computers for week 9 (4 marks)
- c) Using the least squares method, estimate the output to be attained at the cost of sh 28,000 at week 10 (4 marks)

## QUESTION TWO (12 MARKS)

Citing relevant examples, discuss the following terms as used in Cost Management:

- i. Life Cycle costing (2 marks)
- ii. Kaizen Costing (2 marks)
- iii. Back flush Costing (2 marks)
- iv. Business Process Re-engineering (2 marks)
- v. Activity based Management (2 marks)
- vi. Just in Time (2 marks)

## QUESTION THREE (12 MARKS)

- a) Why would a firm be reluctant in adopting Activity Based Costing despite its benefits over Conventional Costing? (3 marks)

b) Que Ltd is a manufacturing Company that makes only three products S, T and M. Data for the period ended last month are as follows

	S	T	M
Units produced and sold	12000	16000	8000
	Sh	Sh	Sh
Sales price per unit	50	70	60
Direct material cost per unit	16	24	20
Direct labor cost per unit	8	12	8
<b>Production overhead:</b>	<b>Total</b>	<b>Cost Driver</b>	
	Sh		
Machining costs	102,000	Machine hours	
Production scheduling	84,000	Number of production runs	
Quality control	49,200	Number of production runs	
Set up costs	54,000	Number of production runs	
Receiving materials	64,800	Number of components	
Packing materials	36,000	Number of customers orders	

Information on the cost drivers is given as follows:

Direct labor hours	1	1 1/2	1
Machine hours per unit	1/2	1	1 1/2
Number of components per unit	3	5	8
Numbers of components per received 18		80	64
Number of customer orders	6	20	10
Number of production runs	6	16	8

**Required:**

Using Activity Based costing (ABC), show the cost and gross profit per unit for each

product during the period.

(9 marks)

**QUESTION FOUR (12 MARKS)**

a) Discuss why a firm may have liquidity problems and yet it is operating profitably  
(4 marks)

b) MUST Limited has given you the following particulars for cash budgeting:

Month	Sales	Materials	Wages	Overheads
	Sh."000"	Sh.000"	sh."000"	sh."000"
August	20,000	10,200	3800	1900
September	21,000	10,000	3800	2100
October	23,000	9800	4000	2300
November	25,000	10,000	4200	2400
December	30000	10800	4500	2500

Additional information:

1. 10% sales are on cash basis. of the credit sales, 50% are collected the following month and the balance the subsequent month.
2. Creditors for material purchases give two months credit.
3. Overheads are paid one month in arrears.
4. Dividends of sh. 1,500,000 will be paid in December.
5. Machinery costing sh.10, 000,000 will be installed in September. Payment will be made in monthly instalments of sh 2,000,000 per month for five months from October.
6. Proceeds from sales of old machinery will be received in October for sh.1,000,000
7. Income tax (advance tax) of sh.5,000,000 will be paid in October.
8. Opening cash balance on 1 October was sh.800,000. If cash balance falls below sh.500,000, a short-term loan can be arranged at an interest rate of 18% per annum. Interest is payable monthly after the month of borrowing

**Required:**

Cash budget for the three months ending December 2016.

(8 marks)

**QUESTION FIVE (12 MARKS)**

- a) How does technology affect Management Accounting in the Contemporary World today  
(4 marks)
- b) Magunas Supermarket Ltd has three shops X, Y & Z. Given below is the summarized profit and loss statement for the year ended 31 December, 2022:

	Shop		
	X	Y	Z
	Sh.'000'	Sh '000'	Sh '000'
Sales	800,000	300,000	450,000
Less total cost	<u>600 000</u>	<u>320 000</u>	<u>360 000</u>
Profit/loss	<u>200 000</u>	<u>(20,000)</u>	<u>90 000</u>

The management is considering closing down shop Y. As a result of the closure:

- Sales in shop X and shop Z will increase by sh. 100,000,000 and sh. 70,000,000 respectively.
- Specific fixed costs in shop Y will reduce by sh 44,000,000

**Required**

Advise the management on the intended closure of the shop.

(9 marks)