



# The Co-operative University of Kenya

**END OF SEMESTER EXAMINATION DECEMBER-2019**

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE  
BUSINESS**

**UNIT CODE: HCOB 2320**

**UNIT TITLE: MANAGEMENT ACCOUNTING**

**DATE: DECEMBER, 2019**

**TIME:**

**INSTRUCTIONS:**

- Answer question **ONE (compulsory)** and any other **TWO** questions

**QUESTION ONE**

- (a) You have been requested in your capacity as consultant to present a case for the establishment of management accounting division for company. Discuss (8 marks)
- (b) What should be considered as the positive sides of such a proposal, above (4 marks)
- (c) If at all there is any, what would you consider as the ills of setting up such a division (4 marks)
- (d) In your view, is managerial accounting useful for the success of a business? Discuss (4 marks)
- (e) Identify the purposes of budgetary planning and control systems (10 marks)

**QUESTION TWO**

**ABC Ltd makes four components with the following information:**

	W	X	Y	Z
Production	1000	2000	4000	3000
<b>Unit marginal cost</b>				
Direct material	4	5	2	4
Labour	8	9	4	6
Variable overheads	2	3	1	2
	14	17	7	12

Attributed Fixed Coat

To	Kshs	Sub-construction price
W	1000	12
X	5000	21
Y	6000	10
Z	8000	14

Committed fixed cost is kshs 30,000

**Required:**

- (a) Advise the company on the components to buy or make if any (20 marks)

**QUESTION THREE**

The standard material cost y product D is as follows:

Material Y 3 kg at Kshs 2 per kg

Material Y 5 kg at Kshs 3.60 per kg

During Period 2, 2000kgs of material Y (Costing Kshs 4, 100) and 2400 kgs of material Y (costing Kshs 9,600) were used to produce 500 units of 456.

**Required:**

- (a) Calculate the following variance
- i) Price variance (6 marks)
- ii) Mix variance (6 marks)

- iii) Yield variance – in total and for each individual material (8 marks)

#### QUESTION FOUR

XYZ Ltd manufactures and sells one product – an infant care seat – at a price of Kshs 50. Variable cost equal Kshs 20 per car seat. Fixed costs are 495,000. XYZ manufactures the infant car seat upon receipt or order from its customers. In 2018, it sold 30,000 units of the seat. Dante one of the customers has approached XYZ Ltd and asked if in 2019, XYZ will manufacture a different style of car seat called Ridex. Dante will pay Kshs.25 for each unit of Ridex. The variable cost of Ridex is estimated to be Kshs 15 per seat. XYZ has enough capacity to produce both the infant car seats and the Ridex that Dante wants without incurring any additional fixed costs. XYZ estimates that in 2019 it will sell 30,000 units of infant car seats and 20,000 units of Ridex. The CEO of XYZ Ltd checks and is surprised that breakeven sales revenues seem to increase in 2006 and asks for your advice before he accepts or rejects the offer.

#### Required:

- (a) Calculate breakeven point in units and revenues for 2018 (4 marks)
- (b) Calculate the breakeven point in units and revenues for 2019 at the planned sales mix (5 marks)
- (c) Explain why breakeven point in revenues calculated in requirements (i) and (ii) are different (5 marks)
- (d) Should XYZ Ltd accept Dante's offer. Provide supporting calculations (6 marks)

#### QUESTION FIVE

- (a) Explain and give examples of appropriate non-monetary performance measures (10 marks)
- (b) Travel county info consult business offers research services in the Eastern region-Kenya. The firm has spend already shs 32M in mapping out resources in Kajiado County. The exercise is expected to spend further Ksh.26M and the expected net present involved is shs 29M.

#### Required:

- i) Analyze each type of cost and comment on its relevance in decision making (3 marks)
- ii) Explain the FIVE key steps of any decision making process (5 marks)
- iii) Advise the management of the research firms on whether to continue with the project or not, based on the foregoing details (2 marks)