The Management University of Africa

MUA

Sponsored by the Kenya Institute of Management

POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF BUSINESS ADMINISTRATION

MBA 507: MANAGERIAL ACCOUNTING

DATE: 25TH MARCH 2024

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE is compulsory.**
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

A) MUA ltd has the following overhead costs.

	Ksh	**No. of cost drivers**
Quality	9,0000	450 inspection
Process set up	135,000	450 set ups
Purchasing	105,000	1,000purchase orders
Customer order processing	120,000	2,000 customers
Occupancy costs	150,000	75,000 machine hours

MUA makes a standard product Gazeb. The cost details are as follows. Unit material costs Ksh 0.50

Unit labor costs Ksh 0.40

Total production for the coming year	1000,000 units
No. of production run	50
No. purchase order required	50
No. customer orders	10
Units machine time	3 minutes

The product is inspected once at the end of each production run

Required: Calculated standard cost of Gazeb. **(10 Marks)**

B) Cost Estimating Relationship (CER) is a technique used to estimate a particular cost or price by using an established relationship with an independent variable or cost driver. Describe steps of developing a CER.

(10 Marks)

C) Assume that ABC Ltd produces two products, product A and B and the following budget has been prepared.

	A	B	Total
Sales in units	120,000	40,000	160,000
	Sh.	Sh.	Sh.

Sales @5/-, 10/-	600,000	400,000	1,000,000
Variable cost @ 4/-, 3/-	480,000	120,000	600,000
Contribution @ 1/-, 7/-	120,000	120,000	400,000
Total fixed cost			300,000
Profit			100,000

Required:

a) Compute the break-even point in total and for each of the products.
(5 Marks)

b) The company proposes to change the sales mix in units to 1:1 for products A and B. Advise the Co. on whether this change is desirable.

(5 Marks)

QUESTION TWO

I. The production manager of SOT Company, is concerned about the apparent fluctuation in efficiency and wants to determine how labor costs (in Sh.) are related to volume. The following data presents results of the 12 most recent weeks. Use Regression Analysis and derive a model applicable **(10 Marks)**

Week No.	Units Produced (X)	Labor Costs (Y)
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180
9	41	376
10	47	295
11	34	215
12	24	275

II) Discuss how Green Accounting could be used to support EPA Decision-making

(5 Marks)

QUESTION THREE

A) X ltd has the following information with regards to budgeted direct labor hours.

Quarter	1	2	3	4
Labor hours	7000	7200	7500	6800

Variable manufacturing overheads are Ksh3.25 per direct labor hour.

The company's fixed manufacturing overhead is Ksh 48,000 per quarter. The only non-cash item included in it is depreciation which is Ksh 16,000 per quarter.

Required:

a) Construct the company's manufacturing budget for the upcoming year **(5 Marks)**

b) Compute the company' manufacturing overhead rate (including both variable and fixed manufacturing overhead) for the upcoming fiscal year. (Round off to the nearest wholecent. **(5 Marks)**

B) How can Enterprise Resource Planning (ERP), improve a company's business performance? **(5 Marks)**

QUESTION FOUR

A) During the year, 3,000 units of product F15 were made at a labor cost of Ksh 35, 000 for 6,160 hours. There was a slump during the year in demand and 200 hours were recorded as idle time. Standard labor cost is 2 hours @Ksh5/hr = Ksh 10 per unit

Required:

i. Labor Total Variance **(2 Marks)**
ii. Labor Rate Variance **(2 Marks)**
iii. Idle Time Variance **(2 Marks)**
iv. Labor Efficiency Variance **(2 Marks)**
v. Possible causes of Labor Rate variance **(2 Marks)**

B) Describe steps in Target Costing and contrast with Activity Based Management **(5 Marks)**