



UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

ACC 322: ADVANCED MANAGEMENT ACCOUNTING

DATE: 29TH JULY 2026

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

The Management of Parapanda Company Ltd. has identified two mutually exclusive projects to be evaluated for investment namely; J and K, whose expected cash flows are as shown below:

Year	Project J Cash flow (Sh)	Project K Cash flow (Sh)
0	(300,000)	(600,000)
1	120,000	180,000
2	180,000	360,000
3	300,000	240,000
4	240,000	180,000
5	-	120,000

The initial investment cash outlay is incurred at year 0 (zero), and the cash flows are receivable at the end of each year. The firm's cost of capital is 10% per annum.

Note: Present Value Interest Factor (PVIF) should be rounded off to 5 decimal points.

Required:

- a)** Compute the Discounted Payback Period for each project and advise the company on the project to be undertaken indicating the reason thereof. **(10**

Marks)

- b)** Compute the Net Present Value for each project and advise the company on which project should be undertaken citing an appropriate reason.

(10 Marks)

- c)** Describe five distinctions between Management Accounting and Financial Accounting. **(5**

Marks)

QUESTION TWO

The directors of Ufanisi Company are considering whether to increase the company's production output by adding a new product line. There is available capacity for the production of the new product line, but an extra special-purpose equipment costing \$4,000 would have to be acquired and paid for immediately before commencement of production. The equipment could be disposed at the end of the fifth year for \$300.

A new marketing promotional campaign would have to be carried out to market the new product and this would cost \$1,000 at the commencement of production and \$400 at the end of the first year.

The management accountant has prepared the following annual forecast figures relating to the proposed new product line:

Year	Sales	Variable Cost	Fixed Cost
	\$	\$	\$
1	5,200	3,000	2,300
2	7,800	4,700	2,800
3	10,000	6,500	3,000
4	6,000	3,500	2,400
5	3,600	1,900	2,000

Fixed costs include \$500 per annum for an additional supervisor, \$700 per annum depreciation on the new equipment, while the balance is an apportionment of existing costs. Assume that no credit is given to customers or received from suppliers.

If the new product line is accepted, it would consume space that could be sub-let to generate a net cash flow of \$600 per annum.

The company's directors have required the management accountant to submit an appraisal of the new product covering a five year period. Assume an imputed interest charge by the headquarters of 10%.

Required:

- a) Using suitable evaluative criteria, advise the directors of Ufanisi Company on whether to accept the new product line based on Net Present Value (NPV), and applying relevant data.

(9 Marks)

- b) Using appropriate diagrammatic presentations, demonstrate three risk attitudes that may influence decision makers. **(6 Marks)**

QUESTION THREE

- a) The need for better information is very crucial. Discuss six attributes of information that are useful for contemporary business organizations for better decision making citing examples.

(9 Marks)

- b) Analyse four decision making environments that influence managerial decisions. **(6 Marks)**

QUESTION FOUR

Paradiso Company bakes and sells Cakes which are packaged in standardized packets. The monthly demand for the Cakes can be Good, Fair or Low, with associated probabilities of 0.2, 0.5 and 0.3 respectively. The estimated sales for next month are: 7,000 packets if demand is Good, 4,000 packets if demand is Fair, or 2,000 packets if demand is Low. The selling price per packet is sh 450, variable cost incurred per packet is sh 200, while fixed costs per month amount to sh 450,000.

Required:

- a) Prepare the income statement using marginal costing approach and determine the monthly operating profit.

(5 Marks)

- b) Prepare the income statement using marginal costing approach and compute the monthly operating profit under each of the following changes in base data:

- i) Increase in base selling price by 10%. **(3 Marks)**

- ii)** Decrease in base sales volume by 10%. **(3 Marks)**
- iii)** Increase in base variable costs by 20% and simultaneous decrease in base fixed costs by sh. 50,000. **(4 Marks)**

QUESTION FIVE

- a)** ABC Company operates 3 branches namely; A, B, and C. The following summary was extracted from the financial statements of the subsidiaries:

	Branch A	Branch B	Branch C
	Ksh. '000'	Ksh. '000'	Ksh. '000'
Operating income	500	1,000	2,000
Average book values:			
Current assets	1,400	2,200	3,600
Fixed assets	1,600	2,800	5,400

Required:

- Calculate the return on investment for each branch. **(3 Marks)**

- b)** Design the decision making process model and show how it can be useful in a company that deals with investment projects. **(12 Marks)**

QUESTION SIX

The production manager of Baraka Manufacturing Company is concerned about fluctuations in efficiency and wishes to determine how labour costs (in \$) are related to volume. The following data presents results of the 6 most recent months:

Period (month)	1	2	3	4	5	6
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Number of Units produced	100	300	200	400	600	500
Labour cost (sh.)	9,000	12,000	11,000	14,000	18,000	15,000

Required:

a) Estimate the cost function using Regression analysis. **(8**

Marks)

b) If the Company intends to produce 700 units next month, estimate the labour cost expected to be incurred using Regression analysis.

(2 Marks)

c) Compute the following, and interpret the results:

i) Regression coefficient **(3 Marks)**

ii) Coefficient of determination **(2**

Marks)