



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business and Social Studies***

**DEPARTMENT OF BUSINESS STUDIES**

DIPLOMA IN ACCOUNTANCY II  
DIPLOMA IN BUSINESS ADMINISTRATION II  
(DAII & DBA II)

**BAC 2202: MANAGEMENT ACCOUNTING**

**SUPPLEMENTARY/SPECIAL: EXAMINATIONS**

**SERIES: JULY 2014**

**TIME: 2 HOURS**

**INSTRUCTIONS TO CANDIDATES:**

1. You should have the following for this paper  
- *Answer booklet*
2. This paper consists of **FIVE** questions.
3. Answer Question **ONE (compulsory)** and any other **TWO** questions  
*This paper consists of 3 PRINTED pages*

**QUESTION ONE**

- (a) Discuss the factors that are considered when setting inventory levels. **(10 marks)**

(b) A company intends to invest sh. 1,600,000 in a project whose estimated cash flows are as follows

<i>Year</i>	<i>cash flows</i> (Sh)
1	800,000
2	750,000
3	600,000
4	500,000
5	400,000

Determine the internal rate of return for the project.

**(20 marks)**

## **QUESTION TWO**

Discuss in details the standards that a company can adopt.

**(20 marks)**

## **QUESTION THREE**

TUMCO Ltd has provided you with the following information about its product

Production 40,000 units

Sales 30,000 units

Production cost

	Sh
Direct materials	9,600,000
Direct labour	2,400,000
Variable overhead	2,000,000
Fixed production overhead	3,600,000
Selling and administration costs	
Sales salaries (fixed)	600,000
Sales commission (variable)	400,000
Advertising (fixed)	640,000
Other fixed costs	960,000

Sell price per unit sh. 600

*Required*

Operating statement under marginal costing and absorption costing

**(20 marks)**

#### **QUESTION FOUR**

The following data relates to products x, y and z manufactured and sold by cedi Ltd

Product	X	Y	Z
Sales (sh)	2,000,000	3,000,000	5,000,000
P/V ratio	0.4	0.3	0.3

Annual fixed costs sh. 1,520,000

*Required*

- Profit for the year
- Break-even point in shilling
- Break even point if the sales mix changes to 5: 3: 2 for products X, Y and Z respectively.

**(20**

**marks)**

#### **QUESTION FIVE**

- Explain the functions of management
- List five assumptions underlying breaks even analysis.

**(15 marks)**

**(5 marks)**