

TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS STUDIES

DEPARTMENT OF ACCOUNTING AND FINANCE

UNIT CODE: BMF 5102 UNIT TITLE: MANAGERIAL ACCOUNTING

SERIES: SEP/DEC SERIES

TERM PAPER TWO

TIME: 3 HOURS

INSTRUCTIONS: ANSWER QUESTION 1 AND ANY OTHER THREE QUESTIONS

Question 1

- a) Kazi Ltd, a manufacturing company, is in the process of preparing its budget for the upcoming production period. The following data relate to the company for the year ended 31st December 2015

Year	Month	Machine hours	Electricity expenses
		'000'	(Shs.'000')
2009	May	48.0	795
2009	June	39.0	750
2009	July	39.0	750
2009	August	46.5	795
2009	September	52.5	825
2009	October	64.5	870
2009	November	72.0	1,020

The total annual and monthly average expenditures for the year ended 30th November 2009 were as follows:-

	Machine hours	Electricity expense
	Shs.	Shs
Annual (Total)	630,000	10,260,000
Monthly (Average)	52,500	855,000

Required

Estimate the fixed and variable elements of the electricity expense using:

- i) The High –low method. (10Marks)
 - ii) The Least –squares regression analysis (10Marks)
- b) “Accounting profit related performance measures have been criticized as being short term focused and the primary objective of maximizing shareholders wealth.”

Discuss alternative approaches that could be used to overcome the short term orientation that could arise from using accounting profit related measures in evaluating divisional performance, (5 Marks)

Question 2

The following data is available for ABC enterprise showing the expected sales level their probabilities for two products A and B.

Sales Volume	Product A	Product B
4000	0.1	0
5000	0.2	0.25
6000	0.4	0.5
7000	0.2	0.25
8000	0.1	0

Required:

- a) Advice the management on the product to launch based on the EV method.
(15 Marks)
- b) Also carry out the risk analysis on the same and advice the management.(10 Marks)

Question 3

The Managing Director of your company recently attended a seminar in which the presenter noted that good performance appraisal tools and techniques should incorporate both quantitative and qualitative measures.

In view of this, the managing Director has sought your advise on the appropriate measures of performance for the company’s goals.

Required:

- i. To generate financial returns to Shareholders (5Marks)
- ii. To main a high market share (5Marks)
- iii. To offer an up to date product range of high quality and proven reliability. (5Marks)
- iv. To sustain corporate philanthropy. (5Marks)
- v. To grow and survive autonomously (5Marks)

Question 4

- a) Decision makers in Organizations could use the physical flow information and cost information provided by environmental management accounting (EMA) to make decisions that impact both the environmental and financial performance og the Organization. Both the private business and the government organizations could benefit from this.

Required

- i) With references to the above statement , define environmental management accounting (EMA) (4Marks)
- ii) Explain three befits of environmental management accounting to the industry, (6Marks)
- iii) In the context of cost estimation and forecasting ,evaluate the four components of a time series model (15 model)

Question 5

- a) Describe other factors, besides the economic order quantity , that should be taken into account when choosing an order quantity.(5Marks)

b) Africa Express Ltd , retails a product imported from West Africa , The following information relates to the product:

- i) Each unit of the product sells for Sh. 126 and costs Sh. 90
- ii) The product has a variable selling and distribution cost of Sh. 6 per unit,
- iii) Weekly demand of the product is 10,000 units. However, in the recent past the demand has varied and the following pattern has been observed:

Demand (Units)	28,000	24,000	20,000	16,000	12,000
Probability	0.05	0.2	0.5	0.2	0.05

The cost of placing an order is Sh. 6,230.80

The lead time is 2 weeks.

The following inventory costs as percentages of the purchase price have also been provided:-

Storage cost	3%
Insurance	1%
Handling cost	1%
Obsolescence	3%
Opportunity cost of funds invested in stock	10%

In case of a stock –out, only 75% of the customers would be willing to wait until their orders are met

Assume a 52 week year,

Required

- i. The economic order quantity **(6 Marks)**
- ii. The buffer stock level you would recommend I order to avoid lock-outs.**(7Marks)**
- iii. If a 1% quantity discount was to be offered for Orders of 30,000 units or more, recommend whether the company should take the offer.**(7Marks)**