



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN PROCUREMENT AND MATERIAL MANAGEMENT
DIPLOMA IN MANAGEMENT

BAC 2202: MANAGEMENT ACCOUNTING

END OF SEMESTER EXAMINATIONS

SERIES: AUGUST 2013

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.

This paper consists of Four printed pages.

QUESTION 1 (Compulsory)

a) Briefly discuss FIVE differences between management accounting and Financial Accounting. **(10marks)**

b) The following data relates to a particular stock item In a manufacturing firm

Normal usage	1250 units/day
Minimum usage	850 units /day
Maximum usage	1500 units/day
Lead time	30- 45 days
EOQ	150,000 unit/day

Required, calculate

- i) Re-order level **(2marks)**
 - ii) Minimum level **(2marks)**
 - iii) Maximu level **(2marks)**
- c) The top management of Mombasa County have thee following salary based on year of service.

Length of Service (x) year	Monthly salary ksh 000s.
1	60
2	62
3	64
4	68
5	70
6	72
7	78
8	80
9	84
10	88

Required

- i) Calculate the co-efficients in the linear cost function $y = a+bx$. **(12marks)**
- ii) Estimate the salary of a manager who has worked with the County for 20years. **(2marks)**

QUESTION 2

A Business firm has to select one project from two with different cashs inflows and outflows as given below.

Year	Project A.	
	Inflow(ksh)	Outflow (ksh)
0	0	1,500,000
1	950,000	300,000
2	1,200,000	450,000
3	1,500,000	550,000
4	1,100,000	000,000
5	1,050,000	650,000
6	800,000	850,000

PROJECT B

Year	Inflow (kshs)	Outflow (Kshs)
0	0	2,000,000
1	1,050,000	200,000
2	1,250,000	350,000
3	1,600,000	550,000
4	1,400,000	700,000
5	1,200,000	800,000
6	800,000	850,000

Required , calculate

- i) Yearly cash flows for each project. **(4marks)**
- ii) Pay back period for each project **(4marks)**
- iii) Net present value for each project at an interest rate of 12% p.a. **(8marks)**
- iv) Select project to be implemented using pay back period, give reasons for your answer. **(2marks)**
- v) Select project to be implemented using net present value method, give reasons for your answer. **(2marks)**

QUESTION 3

- a) State FIVE principles of marginal costing. **(5marks)**
- b) Coca-cola Kenya limited process three major soft drinks in the local market for which the following statement has been produced.

Product	Fanta	Coke	Stone	Total
Sales Kshs	1,850,000	1,550,000	750,000	4,150,000
Total cost Kshs	900,000	800,000	1,050,000	2,750,000
Profit/less kshs	950,000	750,000	300,000	1,400,000

The total costs comprise $\frac{3}{4}$ variable and $\frac{1}{4}$ fixed cost. Mr. Kajeshi, the managing director is considering dropping production of stoney soft drink because it is making losses. Based on the above data should stoney production be dropped? Support your answer. **(15marks)**

QUESTION 4

- a) State any FOUR characteristics of linear programming model. **(4marks)**
- b) Four jobs are to be allocated to four machines in accordance to the information given below which relates to the time each machine would take to complete each job.

Jobs	Machine (Time in minutes)			
	A	B	C	D
1	15	12	18	30
2	16	30	14	25
3	33	10	21	17
4	21	14	13	26

Required.

- i) Allocates the machines to the jobs that minimizes running time. **(12marks)**
- ii) Calculate the actual minimum time. **(4marks)**

QUESTION 5

a) Define the following terms with good examples in relation to network analysis.

- i) Critical path **(1mark)**
- ii) Project crashing **(1mark)**
- iii) Dummy resources **(1marks)**
- iv) Network **(1marks)**

b) A project has the following schedule .Time (weeks) COST

	Normal	crash	Normal	crash
1-2	10	8	100	120
1-3	15	10	150	200
2-4	8	4	120	240
2-5	20	15	200	300
3-6	28	20	300	400
4-5	14	10	100	150
5-6	12	6	120	200
6-7	5	3	60	90

Required.

- i) Draw a network diagram. **(3marks)**
- ii) Find the critical path **(3marks)**
- iii) Calculate normal cost of the project **(1mark)**
- iv) Calculate normal period of the project **(1marks)**
- v) Crush the project to GET the minimum completion time and its value. **(8marks)**