



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2019/2020 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER**

**SCHOOL OF TOURISM HOSPITALITY AND
LEISURE STUDIES
BACHELOR OF TOURISM MANAGEMENT**

**COURSE CODE: BTM 3106
COURSE TITLE: MANAGERIAL ACCOUNTING
FOR DECISION MAKING**

DATE: 16/12/2019

TIME: 8.30AM TO 10:30AM

INSTRUCTIONS TO CANDIDATES

Answer all question in **SECTION A** and any other three in **SECTION B**

This paper consists of 4 printed pages. Please turn over

Section A- 25 Marks

1a. Discuss four importance of management accounting in an hotel set up.
(2 marks)

b. The management of Limuru processing company limited wishes to obtain better cost estimates to evaluate the company's operations more effectively. The following information is provided for analysis

Year 2018 Month	Equivalent production units('000')	Overheads Sh.'000'
January	1425	12185
February	950	9875
March	1130	10450
April	1690	15280
May	1006	9915
June	834	9150
July	982	10133
August	1259	11981
September	1385	12045
October	1420	13180
November	1125	13180
December	980	10430

Required:

- i. Use the high –low method to estimate the overhead cost function.
(2 marks)
- ii. Use the regression method to determine the overhead cost function.
(6 marks)
- iii. Use the regression function formulated in (ii) above to estimate the overhead cost for the month of November.
(2 marks)

C(i) Differentiate between marginal costing and absorption costing **(6 marks)**

(ii) A company makes a single product with a sales price sh 10 and a marginal cost of sh 6. Fixed costs are sh 60,000 per annum

Required:

- a) Number of units to break even **(1 mark)**
- b) Sales at break-even point **(1 mark)**
- c) C/S ratio **(1 mark)**
- d) What number of units will need to be sold to achieve a profit of sh 20,000 P.a, **(1 mark)**
- e) As (d) with a 40% tax rate **(1 mark)**
- f) Because of increased costs the marginal cost is expected to rise to sh 6.50 per unit and fixed cost to sh 70,000 p.a.. If the selling price cannot be increased what will be the number of units required to maintain a profit of sh 20,000 p.a. (ignore tax) **(2 mark)**

Section B

2. A company is considering the following investment projects:

Projects	Cash flows (sh)			
	C ₀	C ₁	C ₂	C ₃
A	-10,000	10,000		
B	-10,000	7,500	7,500	
C	-10,000	2000	4000	12,000
D	-10,000	10,000	3,000	3,000

- a) Rank the projects according to each of the following methods: Payback, ARR, IRR, NPV **(13 marks)**
- b) Assuming the projects are independent, which one should be accepted? If the projects are mutually exclusive which project is the best? **(2 marks)**

3.

a) Define budgetary control and discuss the five main uses of budgetary control system. **(10 marks)**

b) Tororo Company has prepared a sales budget of 42,000 finished units for the next quarter starting 1st January .The Company has a stock of 22,000 units of finished goods on hand at 31st December and has a target finished goods stock of 24,000 units at the end of the succeeding quarter.

It takes 3 litres of direct materials to make one unit of finished product. The company has a stock of 90,000 litres of direct materials at 31st December and has a target closing stock of 110,000 litres .One litre of material costs Sh.3.50

Required;

Determine the material purchases budget for Tororo Company for the forthcoming quarter. **(5 marks)**

4.

a) Identify and briefly explain factors that are likely to influence the desired level of cash balances in a business. **(8 marks)**

b) Distinguish between Social responsibility accounting and environmental accounting highlighting the advantages of each. **(7 marks)**

5a. Differentiate the following terms as used in managerial accounting

i. Zero based budgeting and activity based budgeting. **(2 marks)**

ii. Direct and indirect cost **(2 marks)**

iii. Marginal and absorption costing **(2 marks)**

iv. Engineering method and accounts analysis **(2 marks)**

v. Economic order quantity and economic batch quantity **(2 marks)**

b. ABC Ltd has an aggregate demand of 1.2 million units. Each time they place an order,

there is an ordering cost of Shs.1,000, holding cost is Shs.100 per unit.

Determine:

i. EOQ

ii. No. of order to be made based on EOQ

iii. Total cost of stocks based on the EOQ **(5 marks)**

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