

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR MASTER OF BUSINESS ADMINISTRATION

MBAD 612: MANAGERIAL ACCOUNTING

STREAM: MBAD

TIME: 3 HRS

DAY: WEDNESDAY [12.30-15.30 P.M]

DATE: 17/12/2025

THIS QUESTION PAPER CONSISTS OF FOUR (4) PAGES

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INSTRUCTIONS:

Answer question one (compulsory) and any other two questions

QUESTION ONE

a). Describe the roles of the management accountant in the management process of an organization **(8marks)**

b). The following is the budget of Semens Works Ltd for the year 2025

Factory overheads	Kshs 62,000
Direct labour cost	Kshs 98,000
Direct labour hours	155,000
Machine hours	50,000
Actual labour hours were	40,000
Actual machine hours were	30,000
Actual direct labour costs were	Kshs 50,000
Actual direct material costs were	Kshs 45,000

Required

a) Determine the overhead application rate on the basis of

- i) Direct labour hours
- ii) Direct labour cost
- iii) Machine hours, and
- iv) Overhead costs
- v) Production cost

(10marks)

c). Meems ltd purchased and sold 10,000 units during the month of March 2025. The following information was provided;

Direct materials	Shs 8 per unit
Direct labour	Shs 4 per unit
Variable overheads	Shs 2 per unit
Fixed overheads for the period	Shs. 360,000
Selling price unit	Shs 20.

Required

i) Contribution per unit

(2 marks)



- ii) P/V ratio (2 marks)
- iii) Breakeven point in units (2 marks)
- d). Discuss the assumptions of the Cost Volume Profit(C-V-P) analysis (6 marks)

QUESTION TWO

The following information has been extracted from the books of Pellets International Ltd for the year to 31 December 2024:

	Units
Production	30,0000
Sales	24,000
<u>Production cost incurred:</u>	Shs
Direct material	7,200,000
Direct labour	1,800,000
Variable overheads	1,500,000
Fixed overheads	2,700,000
<u>Selling and administrations costs:</u>	
Sales and salaries	450,000
Variable sales commission	300,000
Promotion and advertising	480,000
Other fixed costs	720,000

The company’s unit selling price is Sh 550.

Required:

- a) Profit and loss statement under direct costing approach. (6 marks)
- b) Profit and loss statement under indirect costing approach. (6 marks)
- c) An explanation of the difference in profit or loss in (a) and (b) above. (3 marks)

QUESTION THREE

- a) Explain three features of contract costing (6 marks)
- b) Gilads Construction Company won the contract for the construction of a multi-story building at a cost of Shs. 200 million. The data relating to the contract for the year ended 31 December 2024 were as follows:

	Sh’000’
Materials issued to the site	80,000
Materials purchased	15,700
<u>Direct wages</u>	
Paid	5,800
Accrued	350



Plant purchased and installed	48,800
<u>Direct expenditure</u>	
Paid	1,780
Accrued	70
Establishment charges	180
Materials returned to store	850
Work certified	150,000
Cost of work not certified	3,800
Materials on site on 31 December	5,330
Value of plant on 31 December	41,500

The company had received from the client, payments amounting to Sh.126 million.

Required

Contract Account **(9marks)**

QUESTION FOUR

a). Discuss the qualities of management information **(7marks)**

b). Assume that Ken tankers Ltd makes four components with the following information:

	W	X	Y	Z
Production (units)	1000	2000	4000	3000
<u>Unit marginal costs</u>				
Direct material	4	5	2	4
Direct labour	8	9	4	6
Variable O/H	<u>2</u>	<u>3</u>	<u>1</u>	<u>2</u>
	<u>14</u>	<u>17</u>	<u>7</u>	<u>12</u>

Attribute Fixed Cost		sub-contractor price	
	Sh.		Sh.
TO	W	1000	W
	X	5000	X
	Y	6000	Y
	Z	8000	Z
			16
			21
			10
			18

Committed Fixed Costs are Sh.30000

Assume that machine hours per unit required to produce the components are:

	Machine Hours
W	4
X	5
Y	3
Z	6

The total machine hour available is 27000 hours during the budget period.

Required:

Advise the company on which products to make and the ones to buy externally **(8 marks).**

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