

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST SEMESTER 2025/2026 ACADEMIC YEAR

SECOND YEAR EXAMINATION FOR THE DEGREE
OF BACHELOR OF COMMERCE

BCOM 212: MANAGEMENT ACCOUNTING I

STREAM: R

TIME: 2 HRS

DAY: FRIDAY [14.30 P.M-16.30 P.M]

DATE: 06/02/2026

THIS QUESTION PAPER CONSISTS OF FIVE (5) PAGES

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Instructions**This paper contains FOUR Questions****Answer only THREE Questions****Question ONE is Compulsory****Answer any other TWO Questions****QUESTION ONE (30 Marks)**

- a) State five assumptions of the Economic Order Quantity model. **(5 Marks)**
- b) The annual demand for material DM 49k is 4,000 units and the purchase price is Kshs 90 per unit. The incremental cost of processing an order is Kshs 135 and the cost of storage is estimated to be Kshs 12 per unit p.a.

Calculate:

- i) Economic order quantity **(3 Marks)**
- ii) The annual stockholding costs **(3 Marks)**
- iii) The annual ordering costs **(3 Marks)**
- iv) The total amount of inventory costs. **(3 Marks)**
- v) A supplier is giving a special offer of 4000 units at a price of Kshs 86 to be delivered immediately. Calculate the annual stock costs, assuming there would be no incremental cost of placing this order. **(2 Marks)**
- vi) Advise the management whether or not to take the special offer. **(1 Mark)**
- c) The direct labour cost of a unit of product B is as follows: 3 hours of grade T labour at Kshs 25 @hour = Kshs 75 @unit of product B.
During October 2025, 300 units of product B were made and the labour cost of grade T was Kshs 22,000 for 910 hours. During the month, there was a machine breakdown and 40 hours were recorded as idle time.

Required

- a) The direct labour rate variance **(3 marks)**
- b) The idle time variance **(3 marks)**

- c) The direct labour efficiency variance (3 marks)
- d) The direct labour total cost variance (1 mark)

QUESTION TWO

The following data has been extracted from the books of Ngata Bridge enterprises for the year ended 30th June 2025.

Production	30,000 units
Sales	24,000 units

<u>Production Costs</u>	Kshs 000
Direct material	7,200
Direct labour	1,800
Variable production overheads	1,500
Fixed production overheads	2,700

Selling and Administration Costs:

Sales staff salaries	450
Sales commission	300
Promotion and advertising	480
Administrative fixed costs	720

Selling price per unit is Kshs 750

Required:

- a) Income statement for the year ended 30th June 2025 using variable costing approach. (8 marks)
- b) Income statement for the year ended 30th June 2025 using absorption costing approach. (8 marks)
- c) Reconcile the two profits above. (4 marks)

QUESTION THREE

The following data from Lochugwa engineering enterprises relate to the year ended 30th June 2025

	Month	Machine Hours	Fuel Oil Expenses
		“000”	“000”
2024	July	34	640
	August	30	620
	September	34	620
	Oct	39	590
	Nov	42	500
	Dec	32	530
2025	Jan	26	500
	Feb	26	500
	Mar	31	530
	Apr	35	550
	May	43	580
	June	48	680

Required

- i) Using the simple linear regression analysis, estimate and interpret the fixed and variable cost elements of the fuel oil expenses. **(16 Marks)**
- ii) Predict the fuel oil expense for December 2025 if experience indicates that 41,000 machine Hours will be used. **(4 Marks)**

QUESTION FOUR

A company makes a single product with a sales price of Kshs. 1,000 and a variable cost of Kshs 600. Fixed costs are Kshs 6,000,000 p.a.

Calculate:

- (a) Contribution per unit
 - (b) c/s ratio
 - (c) Break-even in units and Kshs.
 - (d) Sales in units to earn a target profit of Kshs 2,100,000 net of 30% corporation tax.
 - (e) Calculate the margin of safety (M.O.S) from (d) above.
 - (f) Because of increasing costs, the marginal cost is expected to rise to Kshs 650 @ unit and fixed cost to Kshs 6,800,000. The selling price is expected to decrease by 6%.
What would be the expected new level of output to maintain the same target profit of Kshs 2,100,000 net of tax.
- (20 Marks)**