senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

April 2026

Level: Intermediate Level

Question 1a

 The context of management accounting

Discuss THREE attributes of good management information and how each enhances the quality of a manager's decision-making process.

✓ Answer for Question 1a

Attributes of Good Management Information

Good management information is data that is useful, relevant, and reliable enough to support managerial decision-making. Each attribute improves the quality of decisions in a specific way:

---

1. Relevance

Information should be directly related to the decision being made and should help answer the specific problem at hand.

How it improves decisions:
Managers avoid distractions from unnecessary data and focus only on factors that influence the decision, leading to faster and more accurate choices.

---

2. Accuracy

Information must be correct, free from errors, and based on reliable data sources.

How it improves decisions:
Accurate information reduces the risk of wrong conclusions, ensuring that decisions reflect the true financial and operational position of the organisation.

---

3. Timeliness

Information should be available when it is needed, not after the decision has already been made.

How it improves decisions:
Timely information enables managers to respond quickly to opportunities and threats, improving competitiveness and responsiveness.

---

senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

December 2025

Level: Intermediate Level

Question 1b

Cost accumulation

Uzi Ltd. manufactures a special product which requires component “BX”. The following particulars are calculated for the year 2025:

1.	Annual demand of omega	8,000 units
2.	Cost of placing an order	Sh.200 per order
3.	Cost per unit of omega	Sh.400
4.	Carrying cost per unit per annum	20% of the purchase price per unit

The company has been offered a quantity discount of 4% on the purchase of BX provided the order size is 4,000 components at a time.

Required:
By comparing the total cost without and with a 4% discount, advise whether the quantity discount offer should be accepted.

✓ Answer for Question 1b

1. Summary of Variables

- **Annual Demand (D):** 8,000 units
- **Ordering Cost (S):** Sh. 200 per order
- **Base Cost per unit (C):** Sh. 400
- **Carrying Cost (H):** 20% of C = 0.20 × 400 = Sh. 80 per unit per annum

2. Option 1: Financials at Economic Order Quantity (EOQ)

First, we calculate the standard EOQ to find the optimal order size without a discount:

$$EOQ = \sqrt{\frac{2DS}{H}} = \sqrt{\frac{2 \times 8,000 \times 200}{80}} = \sqrt{40,000} = 200 \text{ units}$$

Cost Breakdown for EOQ (Order Size = 200 units):

- **Annual Material Cost:**

  8,000 units × Sh. 400 = Sh. 3,200,000
- **Annual Ordering Cost:**

$$\frac{D}{Q} \times S = \frac{8,000}{200} \times 200 = \text{Sh. } 8,000$$

- **Annual Holding Cost:**

$$\frac{Q}{2} \times H = \frac{200}{2} \times 80 = \text{Sh. } 8,000$$

Total Cost (EOQ) = 3,200,000 + 8,000 + 8,000 = Sh. 3,216,000

senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

August 2025

Level: Intermediate Level

Question 1c

Product costing methods

Precious Enterprises operates seven days a week and deals in the sale of bolts and nuts. The company's transactions during the month of July 2025 were as follows:

Purchase for the month of July 2025:

Date	Quantity (Units)	Price per unit (Sh.)
13	2,000	190
20	2,400	195
25	3,200	200
28	1,000	190

Sales for the month of July 2025:

Date	Quantity (Units)	Price per unit (Sh.)
3	700	230
4	1,000	225
16	800	230
24	1,800	215
26	3,800	220

Additional information:

1. The closing inventory for the month of June 2025 was 5,000 units valued at Sh.900,000.
2. During the month ended 31 July 2025, the following returns were made by customers:
    - 14 July 2025; 150 units which had been sold on 3 July 2025.
    - 27 July 2025; 350 units which had been sold on 24 July 2025.
3. On 22 July 2025, the officer in charge of inventory detected a shortage of 100 units.
4. Operating expenses for the month of July 2025 amounted to Sh.44,500.
5. The company uses last in first out (LIFO) method to value its stock.

Required:

(i) Stores ledger card for the month of July 2025.

(ii) Statement of profit or loss for the month ended 31 July 2025.

✓ Answer for Question 1c

(i) Stores Ledger Card for July 2025 (LIFO)

This ledger tracks the movement of nuts and bolts. Note that returns from customers are re-entered into the stack at the price they were originally issued.

Date	Receipts	Rate	Amount	Issues	Rate	Amount	Balance	Rate	Amount
1 Jul							5,000	180	900,000
3 Jul				700	180	126,000	4,300		774,000
4 Jul				1,000	180	180,000	3,300		594,000
13 Jul	2,000	190	380,000				5,300		974,000
14 Jul	150	180	27,000				5,450		1,001,000
16 Jul				800	190	152,000	4,650		849,000
20 Jul	2,400	195	468,000				7,050		1,3170,000
22 Jul				100	195	19,500	6,950		1,297,500
24 Jul				1,800	195	351,000	5,150		946,500
25 Jul	3,200	200	640,000				8,350		1,586,500
26 Jul				3,200	200	640,000	5,150		946,500
26 Jul				500	195	97,500	4,650		849,000
26 Jul				100	190	19,000	4,500		830,000
27 Jul	350	195	68,250				4,850		898,250

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

April 2025

Level: Intermediate Level

Question 2a

Product costing methods

Highlight FOUR features of process costing

✓ Answer for Question 2a

Process costing is a method used to assign production costs to units of output in industries where goods are produced in a continuous flow through several processes or departments. It is commonly used in industries such as chemicals, food processing, textiles, and oil refining.

Key Features of Process Costing:

1. **Continuous Production**
   Production occurs continuously, often in multiple processes or stages.
2. **Homogeneous Products**
   All units produced are identical and indistinguishable from each other.
3. **Process-wise Cost Accumulation**
   Costs are accumulated for each process, not for each individual unit or job.
4. **Unit Cost Determination**
   The cost per unit is calculated by dividing total process cost by the number of units produced during a period.
5. **Use of Average Costing**
   Average cost method (such as weighted average or FIFO) is commonly used to value units.
6. **Presence of Losses**
   Normal and abnormal losses may occur and must be accounted for in each process.
7. **Work in Progress (WIP)**
   There may be opening or closing WIP at different stages, requiring equivalent unit calculation.
8. **Transfer from Process to Process**
   The output of one process becomes the input of the next, until final goods are produced.
9. **No Direct Link Between Cost and Specific Units**
   Unlike job costing, individual tracking of cost per unit is not feasible due to identical mass production.

senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

December 2024

Level: Intermediate Level

Question 2b

 Marginal and absorption costing

The following information relates to the unit manufacturing costs of product "TM" made by Timua Ltd.:

	Sh.	Sh.
Selling price		200
Less:		
Variable production costs	120	
Variable selling cost	10	130
Contribution		**70**

Additional information:

1 The budgeted fixed production cost is Sh.4,200,000 per annum for a normal production of 140,000 units

2 Budgeted fixed selling and administrative overheads are Sh.2,800,000 per annum.

3 The budgeted fixed costs are incurred evenly during the year.

4 There are two periods in a year, each of 6 months.

5 During the latest financial year, the following results were achieved:

	Period 1	Period 2
Production (units)	75,000	65,000
Sales (units)	60,000	70,000

6 There was no opening inventory at the beginning of the year.

7 Fixed production costs and selling and administrative costs incurred during the year were equal to the budget.

Required:
Prepare profit or loss statements for each of the two periods using each of the following presentation methods:

(i) Marginal Costing.

(ii) Absorption Costing.

✓ Answer for Question 2b

Marginal Costing Approach:

Under marginal costing, only variable costs are included in the unit cost. Fixed production costs are treated as period costs and are deducted from the total contribution.

1. **Unit Contribution:**
   - Selling price per unit: Sh. 200
   - Variable costs per unit (production + selling): Sh. 120 + Sh. 10 = Sh. 130
   - Contribution per unit: Sh. 200 - Sh. 130 = Sh. 70
2. **Fixed Costs:**
   - Fixed production cost per period (6 months): Sh. 4,200,000 / 2 = Sh. 2,100,000
   - Fixed selling and admin cost per period: Sh. 2,800,000 / 2 = Sh. 1,400,000
   - Total fixed costs per period: Sh. 2,100,000 + Sh. 1,400,000 = Sh. 3,500,000
3. **Profit Calculation for Each Period:**

Period	Contribution (Units × Sh. 70)	Fixed Costs	Profit
Period 1	60,000 × 70 = Sh. 4,200,000	Sh. 3,500,000	Sh. 700,000
Period 2	70,000 × 70 = Sh. 4,900,000	Sh. 3,500,000	Sh. 1,400,00(

Absorption Costing Approach:

Under absorption costing, fixed production costs are absorbed into the unit cost based on normal production levels. Inventory values include both variable and fixed production costs.

senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

August 2024

Level: Intermediate Level

Question 2c

Cost accumulation

Konya Ltd. had a weekly minimum and maximum consumption of material Q at 250 and 750 units respectively. The re-order quantity as fixed by the company is 3,000 units. The material is received within a period of 4 to 6 weeks from the date of issue of supply order.

Required:
Calculate the:

(i) Minimum stock level.

(ii) Maximum stock level.

✓ Answer for Question 2c

(i) Minimum Stock Level

The minimum stock level ensures no stockout during **maximum lead time** if consumption is higher than expected.

Formula:

Minimum Stock Level = (Re-order Level) − (Average Consumption × Average Lead Time)

Calculate Re-order Level (ROL)

$$ROL = C_max \times R_max = 750 \times 6 = \text{ 4,500 units}$$

Compute Average Consumption & Lead Time

$$\text{Average Consumption} = \frac{C_{min}+C_{max}}{2}$$

$$\frac{250{,}000+270{,}000}{2} = \text{ 500 units/week}$$

$$\text{Average Lead Time} = \frac{R_{min}+R_{max}}{2}$$

$$\frac{4+6}{2} = \text{ 5 weeks}$$

Minimum Stock Level = 4,500 − (500 × 5) = 4,500 − 2,500 = 2,000 units

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

April 2024

Level: Intermediate Level

Question 3a

 The context of management accounting

Management accounting is a discipline that communicates economic information to various parties known as “end-users”. With reference to the above statement, outline TWO user information needs of the following end-users:

(i) Executives.

(ii) Production managers.

(iii) Management accountants.

✓ Answer for Question 3a

Management accounting provides tailored information to different users within the organization to aid decision-making, planning, and control. Below are the information needs of the specified users:

(i) Executives

Information Needs:

- **Strategic financial data** for long-term planning and goal-setting.
- **Overall performance reports** such as profit margins, ROI, and cost trends.
- **Budget comparisons** to monitor financial health.
- **Risk analysis reports** for high-level decision making.
- **Forecasts and projections** to assess the future direction of the business.

Purpose:
To **make strategic decisions**, set corporate direction, and evaluate performance at the organizational level.

Example:

- An executive may need a quarterly dashboard report showing profitability by product line.

(ii) Production Managers

Information Needs:

- **Cost reports** on materials, labour, and overheads.
- **Efficiency metrics** such as output per worker or machine utilization.
- **Inventory levels and control reports**.
- **Variance analysis** comparing actual vs standard costs.

senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

December 2023

Level: Intermediate Level

Question 3b

 Cost accumulation

Maono Ltd. has a budgetary activity level of 50,000 direct hours and budgeted production overheads of Sh.10,000,000. The following information was obtained from its three departments namely; A, B and C.

1. Department A: 50,000 direct hours are worked and the actual overheads were Sh.9,400,000.
2. Department B: 43,000 direct hours are worked and the actual overheads were Sh.10,000,000.
3. Department C: 45,000 direct hours are worked and the actual overheads were Sh.9,600,000.

Required:
Determine over or under absorption of overheads of each department.

✓ Answer for Question 3b

Overhead Absorption Rate (OAR)

Given for the entire company:

- Budgeted overheads = Sh.10,000,000
- Budgeted direct hours = 50,000

OAR = 10,000,000 / 50,000 = Sh.200 per direct hour

Apply OAR to Each Department

➤ Department A

- Actual hours = 50,000
- Absorbed overhead = 50,000 × 200 = Sh.10,000,000
- Actual overhead = Sh.9,400,000

Over-absorbed = 10,000,000 − 9,400,000 = Sh.600,000 (Over-absorbed)

➤ Department B

- Actual hours = 43,000
- Absorbed overhead = 43,000 × 200 = Sh.8,600,000
- Actual overhead = Sh.10,000,000

Under-absorbed = 10,000,000 − 8,600,000 = Sh.1,400,000 (Under-absorbed)

➤ Department C

- Actual hours = 45,000
- Absorbed overhead = 45,000 × 200 = Sh.9,000,000

senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

April 2023

Level: Intermediate Level

Question 3c

 Budgetary control

Relei Ltd. is currently following a centralised material storage system. The company is in the process of preparing its cash budget for the second-quarter of the year 2023 and has availed the following data:

Month	Sales Sh."000"	Material Purchases Sh."000"	Production overheads Sh."000"	Selling overheads Sh."000"	Salaries and wages Sh."000"
January	144,000	50,000	12,000	11,000	20,000
February	200,000	62,000	12,300	12,400	24,000
March	180,000	50,500	13,000	15,500	20,000
April	150,000	60,600	17,500	18,900	36,000
May	205,000	74,000	17,700	22,000	40,000
June	208,000	76,800	16,400	23,200	48,000

Additional information:

1. Cash sales are 60% of the total sales. The remaining sales are collected equally during the following two months.
2. Assets are to be acquired in the month of April 2023 and May 2023. Therefore, provisions should be made for payment of Sh.16,000,000 and Sh.65,000,000 for the same.
3. An application has been made to the bank for the grant of a loan of Sh.45,000,000 and it is hoped that the loan will be received in the month of May 2023.
4. Creditors for materials purchased are granted one-month credit after month of purchase.
5. Monthly production overheads include depreciation of Sh.5,000,000 per month.
6. Selling overheads are paid one month after the month in which the overhead occurred.
7. Salaries commission at 3% on sales is paid to the salesmen each month.
8. Salaries and wages are paid monthly at the end of the month.
9. An advance tax of Sh.20,000,000 is due in April 2023.
10. The cash balance as at 1 April 2023 is estimated as Sh.144,500,000.

Required:

A cash budget for the second quarter of the year commencing 1 April 2022 to 30 June 2023.

✓ Answer for Question 3c

Cash Sales (Sh.'000)

Month	Apr Sh."000"	May Sh."000"	Jun Sh."000"
Cash 60%	90,000	123,000	124,800
Credit 40%	60,000	82,000	83,200
Total 100%	**150,000**	**205,000**	**208,000**

Collections from Credit Sales(Sh.'000)

Month	Apr	May	Jun
1st 50%	36,000	30,000	41,000
2nd 50%	40,000	36,000	30,000
Total	**76,000**	**66,000**	**71,000**

Cash Receipts (Sh.'000)

Month	Apr	May	Jun
Cash Sales (60%)	90,000	123,000	124,800
Credit Sales Collected	76,000	66,000	71,000
Bank Loan	-	45,000	-
Total Receipts	**166,000**	**234,000**	**195,800**

senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

December 2022

Level: Intermediate Level

Question 4a

 Marginal and absorption costing

Explain FOUR arguments in favour of marginal costing system.

✓ Answer for Question 4a

Arguments in Favour of Marginal Costing System

1. Simplicity and Clarity

Marginal costing provides a straightforward approach to cost analysis. It clearly separates fixed costs from variable costs, making it easier to understand how costs behave with changes in activity levels.

---

2. Aids in Decision-Making

It is particularly useful for short-term decision-making, such as:

- Make or buy decisions
- Accepting special orders
- Discontinuing a product
- Choosing between alternative products when resources are limited

By focusing only on variable costs and contribution margin, it helps management make faster and more relevant decisions.

---

3. Avoids Arbitrary Overhead Allocation

Unlike absorption costing, marginal costing does not allocate fixed overheads to individual units, which can often be subjective and misleading. This gives a clearer picture of product profitability.

---

4. Useful for Break-Even and CVP Analysis

The marginal costing system forms the basis for Cost-Volume-Profit (CVP) analysis, helping management determine the break-even point, target profits, and the effects of changes in volume, price, or costs.

---

senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

August 2022

Level: Intermediate Level

Question 4b

 Cost accumulation

Zigzag Line Coaches Ltd. operates a fleet of executive coaches across the country.

The following information is provided:

	30 seater coaches	50 seater coaches
Number of coaches	5	10
Number of drivers	5	10
Weekly wage cost per driver	Sh.12,000	Sh.12,500
Cost of each coach	Sh.6,000,000	Sh.9,200,000
Fuel consumption-kilometres per litre	12.5	8.0
Annual licence per coach	Sh.35,000	Sh.50,000
Annual insurance per coach	Sh.34,000	Sh.40,000

Additional information:

1. Annual repairs and maintenance were budgeted at Sh.6,500,000 and are to be apportioned between the coaches in the ratio of their total mileage in kilometres covered.
2. Administrative expenses are budgeted at Sh.9,620,000 annually and are to be apportioned to each coach in the ratio of driver's wage costs.
3. Each 30 seater coach is kept for 6 years at which it will have a resale value of Sh.2,400,000 while every 50 seater coach will be replaced after 7 years and have a resale value of Sh.2,900,000.
4. It is the policy of the company to depreciate the coaches on a straight line basis. Depreciation expense is charged annually.
5. It is envisaged that each 30 seater coach will travel 1,000 kilometres per week and each 50 seater coach will travel 800 kilometres per week.
6. The cost of the fuel is budgeted at Sh.120 per litre.
7. It is budgeted that each coach will be in operation for 50 weeks per year and the drivers will be paid for 52 weeks.

Required:

Cost per kilometer per passenger for:

(i) 30 seater coach.

(ii) 50 seater coach.

✓ Answer for Question 4b

(i). 30-Seater Coach

1. Driver Costs:
    - Weekly wage: Sh.12,000
    - Annual wage: Sh.12,000 × 52 weeks = Sh.624,000
2. Depreciation:
    - Cost: Sh.6,000,000
    - Residual value: Sh.2,400,000
    - Useful life: 6 years
    - Annual depreciation: (Sh.6,000,000−Sh.2,400,000) / 6 = Sh.600,000
3. Fuel Costs:
    - Fuel efficiency: 12.5 km/litre
    - Weekly distance: 1,000 km
    - Annual distance: 1,000 km × 50 weeks = 50,000 km
    - Fuel consumption: 50,000 Km / 12.5 Km = 4,000 litres
    - Annual fuel cost: 4,000 × Sh.120 = Sh.480,000
4. Licence & Insurance:
    - Licence: Sh.35,000
    - Insurance: Sh.34,000
    - Total: Sh.69,000
5. Repairs & Maintenance (Apportioned by Mileage):
    - Total annual km (all coaches):
        - 30-seaters: 5 × 50,000 = 250,000 km
        - 50-seaters: 10 × (800 × 50) = 400,000 km
        - Total: 650,000 km
    - Apportionment to 30-seaters: 250,000 / 650,000 × Sh.6,500,000 = Sh.2,500,000
    - Per 30-seater coach: Sh.2,500,000 / 5 = Sh.500,000

senm-answers.com

Email: customercare@senm-answers.com Tel: 254-734-053-765

CPA

Management accounting

April 2022

Level: Intermediate Level

Question 5a

 Budgetary control

Smart products Ltd. operates standard costing and budgetary control system.

The following is the company's standard cost card:

	Sh.
Direct materials	120
Direct labour	60
Variable overheads	20
Fixed overheads	30
Standard cost per unit	230
Standard profit per unit	20
Standard selling price per unit	250

Additional information:

1. Each unit requires 3 kgs of material which cost Sh.40 per kg and 45 minutes of direct labour at a rate of Sh.80 per hour.
2. Variable overheads are recovered on direct labour hour basis.
3. Fixed overhead are absorbed on annual production budget of 180,000 units.
4. For the year to 31 March 2022, 120,000 units had been manufactured and sold. Contrary to the managements expectation, the company's profit and loss statement reflected a loss of Sh.1,380,000 instead of the expected profit of Sh.3,6000,000 as provided below:

	(Sh.000)	(Sh.000)
Sales (120,000 units)		22,800
Production cost:		
Direct materials (100,000kgs)	12,000	
Direct labour (52,000 hours)	3,900	

Variable overheads	2,880	
Fixed overheads	5,400	24,180
Profit (loss)		(1,380)

Required:

(i) Budgeted profit and loss account for the year ended 31 March 2022.

(ii) Flexible budget for the production achieved.

✓ Answer for Question 5a

(i) Budgeted profit and loss account for the year ended 31 March 2022.

Item	Sh.
Sales (180,000 units × 250)	45,000,000
Less: Production Cost	
Direct material(120 * 180,000)	(21,600,000)
Direct labour(60 * 180,000)	(10,800,000)
Variable overheads (20 * 180,000)	(3,600,000)
Fixed overheads	(5,400,000)
Expected Profit/(Loss)	3,600,000

or

Item	Sh.
Sales (180,000 units × 250)	45,000,000
Less: Total Production Cost (180,000 × 230)	(41,400,000)
Expected Profit/(Loss)	3,600,000

(ii) Flexible budget for the production achieved.

Common ratio = 120,000 / 180,000 = 0.67

Flexible budget for production achieved

	Sh.
Sales(45,000,000 × 0.67)	30,150,000
Less: Production Cost	
Direct material(21,600,000 * 0.67)	(14,472,000)

CPA

Management accounting

December 2021

Level: Intermediate Level

Question 5b

 Standard costing and variance analysis

lighlight four purposes of standard costing.

✓ Answer for Question 5b

Purposes of Standard Costing

Standard costing is a cost control technique that involves setting predetermined (standard) costs for products and services. The actual costs are then compared to these standards, and the variances analyzed.

Here are the main purposes of standard costing in an organisation:

---

1. Cost Control

- Helps identify variances between actual and standard costs.
- Enables management to take corrective action where inefficiencies or cost overruns occur.

---

2. Budgeting and Planning

- Provides a framework for preparing budgets by establishing standard cost levels for different activities and departments.
- Facilitates forecasting of profits, costs, and resource needs.

---

3. Performance Evaluation

- Acts as a benchmark for measuring employee and departmental performance.
- Enables the use of variance analysis to evaluate efficiency in using materials, labour, and overheads.

---

4. Pricing Decisions

- Assists in setting product prices based on cost estimates and desired profit margins.