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PAST EXAMINATION PAST PAPERS WITH SUGGESTED ANSWERS

TOPICALLY ARRANGED

Updated With AUGUST 2025 Past Paper with Answers

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PART A

PAST EXAMINATION QUESTIONS

TOPIC 3

PLANNING AND DECISION MAKING TECHNIQUES

QUESTION 1

August 2025 Question One B

Uwese Ltd. is a company that specialises in the production of umbrellas. For the year ending 31 December 2026, the company is planning to produce special promotional umbrellas branded "Jumbo". Uwese Ltd. wishes to determine the optimal number of umbrellas that should be produced.

Additional information:

1. If all the umbrellas are sold within the year 2026, they would be sold at Sh.900 each.
2. If the company is unable to sell all the umbrellas within the year 2026, then they would be sold in the following year at Sh.300 per umbrella.
3. The production cost per umbrella amounts to Sh.400.
4. The demand for the umbrellas depends on the performance of the economy which is highly unpredictable.
5. The following are the possible states of the economy:

Economy	Probability	Demand (Number of umbrellas)
Good	0.30	500,000
Average	0.46	350,000
Poor	0.24	300,000

6. Uwese Ltd. has to decide to produce the umbrellas at one of the states of the economy in order to match forecast demand.
7. The opportunity cost of not selling an umbrella that is demanded is Sh.100.

Required:

(i) Construct a payoff table showing all the possible outcomes. (8 marks)

(ii) Advise the management of Uwese Ltd. on the optimal level of production based on the expected value, maximax and maximin criteria. (4 marks)

QUESTION 2

August 2025 Question Three A(i) and B

Explain FOUR stages involved in each of the following management accounting concepts:

(i) Throughput accounting. (4 marks)

b) Meromax Ltd. is evaluating the viability of a new product it intends to launch on the market based on three uncertain factors which are determined probabilistically. The three uncertain factors are market demand in units, contribution per unit and the fixed costs. These three factors are statistically independent of each other.

In analysing the auto-correlated factors, Meromax Ltd. estimated the following probability distributions:

Market demand		Contribution per unit		Fixed cost	
Probability	**Units**	**Probability**	**Sh.**	**Probability**	**Sh.**
0.15	2,600	0.10	600	0.30	1,600,000
0.20	2,700	0.30	650	0.40	1,800,000
0.30	2,800	0.60	700	0.30	1,700,000
0.20	2,900				
0.15	3,000				

The random numbers for annual market demand, contribution per unit and the fixed cost are provided as follows:

Market demand	28	14	27	30	90	38	58	67
Contribution per unit	60	20	31	07	57	83	18	01
Fixed costs	57	30	69	19	02	29	71	00

Required:

(i) Calculate the expected net profit using the expected monetary value (EMV) approach. (4 marks)

(ii) Using Monte Carlo simulation analysis, compute the average expected net profit (ENP) using the above random numbers for 8 trials. (8 marks)

QUESTION 1=3

April 2025 Question One B

Zeko Television Ltd. is considering launching a new television set branded “mega” to complement its existing product line. Currently it makes “viva” television set which it intends to retain.

The company has the following options:

Option 1: Continue making product “viva”. In this case, the number of customers would be expected to remain at Sh.6,000 per annum. Operational costs would stay at current level of Sh.16,000 per television set per annum. The selling price per television set is Sh.38,000. This profit margin is expected to continue.

PART B

SUGGESTED

ANSWERS AND SOLUTIONS

TOPIC 3

PLANNING AND DECISION MAKING TECHNIQUES

QUESTION 1

August 2025 Question One B

i) Uwese Ltd.

Payoff table (Sh. "million")

Probability	0.3	0.46	0.24	
Quantity Sold / Quantity Produced	300,000	350,000	500,000	
300,000	150	145		130
350,000	145	175	160	
500,000	130	160		250

ii) Expected value (EV) Sh. "million,

EV (300,000 units)
(150 × 0.24 + (145 × 0.3) + (130 × 0.24) = 141.7

EV (359,000 units)
(145 × 0.24) + (175 × 0.3) + (160 × 0.24) = 163.3

EV (500,000 units)
(130 × 0.24) + (160 × 0.3) + (250 × 0.24) = 179.8
Using expected value approach the company should produce 50,0,000 umbrellas in order to maximize profit.

Optimal level of production based on:

Maximax criteria

Quantity produced	**Best**	
300,000	150	
350,000	175	
500,000	250	← *Best of best*

Using maximax criteria, the firm should produce 500,000 units

Maximin criteria

Quantity produced	Best	
300,000	130	
350,000	145	← *Best of best*
500,000	130	

Using maximin criteria, the firm should produce 350,000 units

QUESTION 2

August 2025 Question Three A(i) and B

Stages involved in each of the following management accounting concepts:

i) Throughput accounting.

The following are the main stages involved in throughput account:

1. Identify the bottleneck factor.
2. Compute the return per factory hour (RPFH)
3. Compute the cost per factory hour (CPFH).
4. Compute the throughput accounting ratio (TPAR) and choose the choice with the highest ratio.

b) **Meromax Ltd.**

i) Expected net profit using the expected monetary value (EMV) approach.

Expected demand

$= (0.15 \times 2{,}600) + (0.2 \times 2{,}700) + (0.3 \times 2{,}800) + (0.2 \times 2{,}900) + (0.15 \times 3{,}000)$

$= 390 + 540 + 840 + 580 + 450$

$= 2{,}800\ units$

Expected contribution

$= (600 \times 0.10) + (650 \times 0.3) + (700 \times 0.6)$

$= 60 + 195 + 420$

$= Sh.\,675$

Expected fixed cost

$= (1{,}600{,}000 \times 0.3) + (1{,}000{,}000 \times 0.4) + (1{,}700{,}000 \times 0.3)$

$= 480{,}000 + 720{,}000 + 510{,}000$

$= Sh.\,1{,}710{,}000)$

Expected Net Profit

$(P - VC) - FC$

$= (675 \times 2{,}800) — 1{,}710{,}000$

$= Sh. 180{,}000)$

ii) Using Monte Carlo simulation analysis, compute the average expected net profit (ENP) using the above random numbers for 8 trials.

Distribution of random numbers (RN)

Annual demand (units)	Probability	Cumulative probability	RN ranges
2,600	0.15	0.15	00 — 14
2,700	0.20	0.35	15 — 34
2,800	0.30	0.65	35 — 64
2,900	0.20	0.85	65 — 84
3.000	0.15	1.00	85 — 99

Fixed costs (Sh.)	Probability	Cumulative probability	RN ranges
600	0.10	0.10	00 — 09
650	0.30	0.40	10 — 39
700	0.60	1.00	40 — 99

Fixed costs (Sh.)	Probability	Cumulative probability	RN ranges
1,600,000	0.30	0.30	00 — 29
1,800,000	0.40	0.70	30 — 69
1,700,000	0.30	1.00	70 — 99

Simulation analysis table for not profit

$N = (P - B)Q - A$

Trial	RN	Demand (units)	RN	Contribution (Sh)	RN	FC (Sh)	Net profit (Sh.)
1	28	2,700	60	700	57	1,800,000	90,000
2	14	2,600	20	650	30	1,800,000	(110,000)
3	27	2,700	31	650	69	1,800,000	(45,000)
4	30	2,700	07	600	19	1,600,000	20,000
5	90	3,000	57	700	02	1,600,000	500,000
6	38	2,800	83	700	29	1,600,000	360,000
7	58	2,800	18	650	71	1,700,000	120,000
8	67	2,900	01	600	00	1,600,000	140,000
						Total	1,075,000