

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

MAIN EXAMINATION PAPER 2009

DEGREE/DIPLOMA AND YEAR OF STUDY: B.COM IV

TITLE OF PAPER: MANAGEMENT ACCOUNTING 1

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS:

1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER : FIVE (5)
2. ANSWER QUESTION ONE ANY OTHER THREE QUESTIONS
3. THE MARKS AWARDED FOR A QUESTION /PART ARE INDICATED AT THE END OF EACH QUESTION/PART OF QUESTION.
4. ALL CALCULATIONS ARE TO BE MADE TO THE NEAREST LHANDENL
5. WHERE APPLICABLE, SUBMIT ALL WORKINGS AND CALCULATIONS.

NOTE: YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT WILL BE TAKEN OF ACCURACY OF THE LANGUAGE AND THE GENERAL QUALITY OF EXPRESSION, TOGETHER WITH THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.

SPECIAL REQUIREMENTS: NONE

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

QUESTION 1

Sothamlilo Ltd manufactures product X. The expected capacity per year is 90,000 units, overhead is applied using expected annual capacity. The company's management accountant has predicted the following 2009 activities and related costs:

Standard unit variable manufacturing costs	E12,00
Variable unit selling expense	E5,00
Total fixed factory overhead	E480,000
Total fixed selling & Admin expenses	E136,000
Selling price per unit	E35,00
Unit of sales	80,000
Units of production	85,000
Units in beginning Inventory	10,000

Other than any possible under - or over applied fixed overhead, management expects no variances from the above manufacturing costs. Under - or over applied fixed overhead is to be written off to cost of Goods Sold.

REQUIRED:

- a) Determine the amount of under or over applied fixed overhead using
 - i) variable costing and (4 Marks)
 - ii) absorption costing (4 Marks)
- b) Prepare projected income/profit statements using:
 - i) variable costing and (4 Marks)
 - ii) absorption costing (4 Marks)
- c) Reconcile the net profit derived in part (b) above (4 Marks)
- d) Using variable costing, determine how many units must be sold to yield E50,000 of profit before taxes (5 Marks)

(Total:25 Marks)

QUESTION 2

Zwide Ltd has the following budgeted sales for the next six months period:

Month	Unit sales
September	60,000
October	80,000
November	140,000
December	100,000
January	120,000
February	80,000

There were 30,000 units of finished goods in stock at the beginning of September. Plans are to have inventory of finished products that equal 20% of the unit sales for the next month.

Five kilogrammes of materials are required for each unit produced. Each kilogramme of material costs E10. Inventory levels for materials are equal to 30% of the needs for the next month. Materials inventory on October 1, was 10 000 kilogrammes.

REQUIRED:

- a) Prepare production budgets In units for October, November and December
(10 Marks)
- b) Prepare direct materials usage budgets for October, November and December
(5 Marks)
- c) Prepare direct materials purchases budgets in kilogrammes and money for
October, November and December
(10 Marks)
(Total: 25 Marks)

QUESTION 3

Sithela Ltd produces three products, A, B and C which have the following standard costs:

	<u>A</u>	<u>B</u>	<u>C</u>
	<u>E</u>	<u>E</u>	<u>E</u>
Material s	10,00	0.50	12.55
Direct Labour - Grade M	2.75	1.65	0.25
- Grade K	0.75	1.35	1.50

Budgeted fixed overhead are E500,000 for the forthcoming year. Grade M labour is paid E2.00 per hour and Grade K labour E0.75.

The budgeted sales are:

- A 12,000 at E28.50 per unit
- B 24,000 at E10.50 per unit
- C 130,000 at E16.30 per unit

Based on the budgeted sales, the production and engineering manager pointed out that:

- i) There would only be 50,000 hours of Grade M labour available in the next year, and overtime working was not possible. A recruitment and training programme was planned, however, and it was expected that the available Grade M labour in the year after next would be 60,000 hours.
- ii) The available Grade K labour was up to 316 000 hours in the coming year.

REQUIRED:

- a) Advice management how many of each product should be produced so as to enable Sithela Ltd to maximize profit. (15 Marks)
- b) Prepare a budgeted profit statement on the assumption that your advice is accepted (5 Marks)
- c) Briefly explain the reasoning you have applied in making your recommendation (5 Marks)

(Total:25 Marks)

QUESTION 4

A) ABC Ltd uses accrual accounting for its records. Facts regarding ABC's operations are as follows:

- Sales are budgeted at E220,000 for December 2008 and E200,000 for January 2009.
- Collections are expected to be 60% in the month of sale and 38% in the month following the sale. Two (2) percent of the sales are expected to be uncollectible.
- Gross margin is 25% of sales.
- Payment for merchandise is made in the month following the purchase at 2% discount.
- Other expected monthly expenses to be paid in cash are E22,600
- Annual depreciation is E216,000

REQUIRED: COMPUTE:

- I) Budgetted operating income for December 2008 (5 Marks)
- II) Cash budgets for December 2008 and January 2009 (20 Marks)

(Total:25 Marks)

QUESTION 5

Akwandze Ltd builds thatched roofs for houses. The budget for 1999 was as follows:

	E	E
No. of houses to be thatched		70
Revenue		2800
Standard cost per roof:		
Direct materials:		
Thatch grass: 2 tones @ E200 per ton	400	
Other materials	150	
Direct labour 300 hours @ E2.40	720	
Variable production overhead		
300hours@E0.45	135	
Fixed production overhead		
300hours@E3.60	1080	
Standard cost		<u>2485</u>
Standard profit		<u>E315</u>

Further Information:

- a) The budgeted fixed production overhead was E75600, from which the standard absorption rate of $\frac{E75600}{70 \times 300 \text{ hours}} = E3.60$ per standard hour was derived.
- b) Since one thatched roof equals 300 standard hours, of output, the fixed cost per roof = 300 hours x E3.60 = E1080.
- c) There is additional budgeted overhead for selling and administration of E15000, This expenditure is regarded as a fixed cost.

Actual results in 1999 were as follows:

Number of roofs thatched	75
Revenue	E216,000
Raw Material thatch:	
Purchased 180 tones, cost	E33,300
Used 170 tons	
Other materials, cost	E12,000
Direct labour:	
Hours paid for	26,000 hours
Hours worked (active time)	22,000 hours
Hours of idle time	4,000 hours
Cost of hours paid for	E72,000
Variable production overhead	E11,500
Fixed production overhead	E76,000
Sales and Administration	E15,500

REQUIRED: PREPARE

- a) Compute all possible variance analysis (19 Marks)
 - a) Prepare an operating statement reconciling the budgeted profit with the actual profit. All closing stocks are valued at standard cost. (6 Marks)
- (Total: 25 Marks)