COURSE CODE: AC 413 (M) 2012

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

MAIN EXAMINATION PAPER

DEGREE/DIPLOMA AND YEAR OF STUDY	:	B. COMM IV
TITLE OF PAPER	:	MANAGEMENT ACCOUNTING I
COURSE CODE	:	AC 413
TIME ALLOWED	:	THREE (3) HOURS

INSTRUCTIONS :

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

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

SPECIAL REQUIREMENT: NONE

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

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Question 1

ABC Ltd produces one standard product. The assembly department encounters wide fluctuations in activity levels from month to month. However, the following department – overhead budget depicts expectations of currently attainable efficiency for an "average" or "normal" level of activity of 20,000 units of production per month:

	Budget-normal Month	Incurred "Actual" Cost in June
Indirect labour – variable	E20,000	E19,540
Supplies – variable	1000	1000
Power – variable	1000	980
Repairs – variable	1000	880
Other variable overhead	2000	1800
Depreciation – fixed	10,000	10,000
Other fixed overhead	5000	5000

REQUIRED:

1. Prepare a columnar flexible budget at 16000, 20,000 and 24,000 unit levels of activity. (6 Marks)

2. Express requirement (1) in formula form (2 Marks)

3. In June the department operated at 17600 – unit level of activity. Prepare two Performance reports, comparing actual performance with (a) budget at normal activity and (b) budget at 17,600 unit level of activity. (12 Marks)

4. Which comparison, 3(a) or b(b), would be more helpful in judging the foreman's Effectiveness? Why? (5 Marks)

Question 2

A. Gamula Ltd sells its single product at E60 each. It incurs the following variable costs per unit of product.

Direct materials	E16
Direct labour	12
Manufacturing overhead	7
Total variable manufacturing cost	E35
Marketing costs	5
Total variable cost per unit	E40

Gamula's annual fixed costs are E880,000 and Gamula is subject to a 30% income tax rate.

REQUIRED: Compute the following:

a) Annual after tax profit (loss) if 4000 units are produced and sold each month (4 ½ Marks)

b) Annual break- even point in units (4½ Marks)

c) Sales in Emalangeni required to achieve a target after-tax profit of E224,000 for the year (4 ½ Marks)

d) Contribution –margin ratio, assuming that direct materials and direct labour increased by 20% (4½ Marks)

B. What assumptions are made in break-en analysis? (7 Marks)

Total (25 Marks)

Question 3

A. Plagued Engineering Limited produces two products, Nees and Aees. The budget for the forthcoming year to 31st March 2011 is to be prepared. Expectations for the forthcoming year include the following:

Plagued Engineering Limited
Balance sheet as at 1st April 1011.

	E	E	E
Fixed assets			
Land and buildings			45,000
Plant and equipment at cost		187,000	
Less: accumulated depreciation		75,000	
			112,000
Current assets			
Raw materials		7,650	
Finished goods		23,615	
Debtors		19,500	
Cash		4,300	
		55,065	
Less: Current Liabilities			
Creditors	6,800		
Taxation	24,500		
		31,300	
			23,765
			E180,765
Financed by:			
Share Capital: Authorized, issued and fully paid:			
150,000 ordinary shares of E1 each			150,000
Retained profit			30,000
			E180,765

B. **Finished products**	**Nees**	**Aees**	
The sales director has estimated that market			
i) demand for the company's products will be	4,500 units	4,000 units	
ii)at a selling price per unit of	E32	E44	
iii) the closing stock of finished products at 31 March 2012 is required to be	400 units	1,200 units	
iv) the opening stock of finished products at 1st April 2011 is	900 units	200 units	
v) at a unit cost of	E20	E28	
vi) the amount of plant capacity required for each unit of product is :			
Material A		1.5 kilos	0.5 kilos
Material B		2.0 kilos	4.0 kilos
vii) direct labour hours required per unit of each product is		6 hours	9 hours

C. Raw materials

	Material A	Material B
i) Closing stock requirement kilos		
at 31 March 2012	600	1,00
ii) opening stock at 1 April 2011 in kilos	1,100	6,00
iii) budgeted cost of raw materials per kilo	E1.50	E1.00

Actual costs per kilo of opening stocks are budgeted cost for the coming year.

D. Direct Labour

The standard wage rate of direct labour is E1.60 per hour.

E. Factory Overhead:

Factory overhead is absorbed on the basis of machining **Hours**

	Machinery Dept E	Assembly Dept E
The following overheads are anticipated:		
Supervisor's salaries	10,000	1,650
Power	4,400	2,000
Maintenance and running costs	2,100	2,000
Consumables	3,400	500
General expenses	19,600	5,000
	39,500	11,150

Depreciation is taken at 5% straight line on plant and equipment. A machine costing the company E20,000 is due to be installed on 1 October 2011 in the machining department, which already has machinery installed to the value of E100,000 (at cost).

F.). **Selling and administration expenses**	**E**
Sales commissions and salaries	14,300
Travelling and distribution	3,500
Office salaries	10,100
General administration expenses	2,500
	E30,400

g) There is no opening or closing work in progress and inflation should be ignored.

h). **You are required to:**

Prepare the following budgets for the year ended 31 March 2012 doe Plagued Engineering Limited:

i) sales budget	(3 Marks)
ii) production budget (in quantities)	(5 Marks)
iii) plant utilization budget	(3 Marks)
iv) direct materials usage budget	(3 Marks)
v) direct labour budet	(3 Marks)
vi) factory overhead budget	(5 Marks)
vii) direct materials purchases budget	(3 Marks)
	Total (25 Marks)

Question 4

Sonke has recently accepted an appointment as a management accountant of Zimeleni Ltd. He prepared the following forecasted sales schedule for eight month ended 32 March 2012.

August 2011	E60,000	December	E115,000
September 2011	80,000	January 2012	120,000
October 2011	90,000	February 2012	140,000
November 2011	120,000	March 2012	90,000

Additional information:

1. Collections from debtors are as follows: 20% in the month of sale, 60% in the second month.

The balance in the third month. Cash sales are 25% of total sales.

2. Cost of sales figures are as follows:

Purchases of finished goods are paid for I the third month after the month of delivery. Purchases are 45% of sales and the company uses a Just-in-Time (JIT) system with finished goods purchased delivered fully in the month of sales.

Fixed production overheads are E10750 per month, of which E1850 is depreciation of equipment. Fixed production overheads are payable 60% in the month they are incurred and 40% in the month thereafter.

Marketing overheads contain a fixed portion of E7500 per month and a variable component of 25% of sales values. Marketing overheads are paid by the end of the applicable month.

3. Production salaries and wages of E10500 per month are paid in the same month incurred.

4. The following taxation repayment will be made:

January E22,600 February E27,800 March E38, 852

REQURED:

Prepare a detailed cash budget in columnar format for the six months ended 31 March 2012. **(25 Marks)**

Question 5

Chubekani Ltd manufactures one product, and the entire product is old as soon as it is produced. There are not opening or closing stocks and work –in progress is negligible. The company operates a standard costing system and analysis of variances is made every month. The standard cost card for the product, a spear is as follows:

	Spear	E
Direct materials	0.5 kilos at E4.00 per kilo	2.00
Direct wages	2 hours at E2.00 per hour	4.00
Variable overheads		0.60
Fixed overhead		7.40
Standard cost		14.00
Standard profit		6.00
Standard selling price		E20.00

Budgeted output for the month of November 2012 was 5100 units. Actual results for November 2012 were as follows:

Production of 4850 units was sold for E95,000. Materials consumed in production amounted to 2300 kilos at a total cost of E9800. Labour hours paid for amounted to 8500 hours at a cost of E16800. Actual operating hours amounted to 8000 hours. Variable overheads amounted to E2600. Fixed overheads amounted to E42,300 selling and administrative expenses amounted to E18000.

REQUIRED:

a) Calculate all variances (18 Marks)

b) Reconcile the actual profit with the budgeted profit (7 Marks)

Total (25 Marks)