

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING & FINANCE

MAIN EXAMINATION PAPER MAY 2014

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B. COM III

TITLE OF PAPER : MANAGEMENT ACCOUNTING II

COURSE CODE : AC324 (M) MAY 2014

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS
- 1 There are **four (4)** questions, answer all.
 - 2 Begin the solution to each question on a new page.
 - 3 The marks awarded for a question are indicated at the end of each question.
 - 4 Show the necessary working.

Note: You are reminded that in assessing your work, account will be taken of accuracy of the language and general quality of expression, together with layout and presentation of your answer.

SPECIAL REQUIREMENTS: NONE

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

QUESTION 1

Maluthi Limited's budget department gathered the following data for the third quarter of 2014:

	July	August	September
Projected sales (units)	1,000	1,500	1,450
Selling price per unit	E40	E40	E40
Direct materials purchase requirements (units)	1,300	2,000	1,800
Direct material cost per unit	E20	E20	E20
Production requirements (units)	800	1,300	1,100
Net profit before taxes:	E 6 000	E 10 000	E 8 000
Direct labour hours	2 per complete unit		
Direct labour rate	E2 per direct labour hour		
Fixed factory overhead	E 500 per month (including E 200 depreciation)		
Variable factory overhead	E1.50 per direct labour hour		
Selling and administrative expenses	5% of sales		

All sales and purchases are for cash, and all expenses are paid in the month incurred.

Required:

Assuming the beginning cash balance on July 01, 2014 is E 25 000 and the tax rate is 40%, prepare a cash budget for the third quarter of 2014.

TOTAL:

[25 Marks]

Question 2

A) The following static budget is available for Kano Manufacturers:

Normal production	10 000 units
Direct material	E 25 000
Direct labour	400,000
Variable overheads	20,000
Fixed overheads	15,000

Required:

i) Prepare a flexible budget at 9 units and 9 500 units (12 Marks)

B) Dube limited has prepared the following flexible budget for their manufacturing overheads:

	20 000 units (E)	30 000 units (E)
Depreciation	35,000	35,000
Insurance	67,000	97,000
Water and electricity	12,750	19,000
Supervision	65,000	65,000
Maintenance	85,000	127,500
Cleaning	50,000	70,000

Required:

Prepare a flexible budget for Dube Limited at 7 000 and 3 000 units

(Hint: Use high-low method of cost separation to determine the variable cost per unit and the fixed component of each cost item)

(13 Marks)

Total:

[25 Marks]

Question 3

The following information for Dexter Limited is presented for your scrutiny:

	Opening stock	Closing stock
Material P	360 litres	490 litres
Material Q	800 Kg	1 400 Kg

Material costs P- E 17.50/litre

Material costs Q-E 20.50/kg

	Product Leppox	Product Mandex
Forecasted sales	1 150 units	1 800 units
Expected opening stock	110 units	300 units
Expected closing stock	280 units	420 units

The following production specifications are provided by the operations manager :

	Product Leppox (per unit)	Product Mandex
Material	4 Litres P 5 Kg Q	5 litres P 10 Kg Q
Labour	2 hour- Skilled 45 minutes- unskilled	4 hour- skilled 30 minutes- unskilled

Additional information

- Leppox and Mandex retail at E 380 and E 500 respectively.
- Skilled labour is remunerated at E 35 per hour and unskilled labour at E 10 per hour.

Required:

Preparation of the following functional budgets:

- | | |
|--------------------------------|------------------|
| a) Sales | (5 Marks) |
| b) Production | (5 Marks) |
| c) Material purchases in money | (5 Marks) |
| d) Labour | (5 Marks) |
| e) Cost of production in total | (5 Marks) |

Total:

[25 Marks]

QUESTION 4

The management accountant of Zerox Manufacturers prepared the following standard cost sheet for component XX:

		Per unit	
Materials	(7Kg@ E2)		E 14
Labour	(Grade P- 6 hrs@ E 8)		48
	(Grade Q- 3 hrs@ E 12)		36
	Standard cost of production		98

Details of actual performance for 2013 are as follows:

- a) Direct labour:

Grade P	-	145 000 hrs. @ E 7.95
Grade Q	-	76 500 hrs. @ E 12.10
- b) Production volume for the component XX equaled 25 000 units.
- c) Materials purchased for the year amounted to 197 000 kg @ E 2.05 per kg.
- d) Materials issued to production amounted to 175 450 kg.

Required:

Compute all applicable material and labour variances for 2013 based on the information given above.

Total:**[25 Marks]**