

**UNIVERSITY OF SWAZILAND**

**DEPARTMENT OF ACCOUNTING**

**SUPPLEMENTARY EXAMINATION PAPER JULY 2014**

**DEGREE/DIPLOMA AND YEAR OF STUDY: B.COM III**

**COURSE CODE : AC 324**

**TITLE OF PAPER : MANAGEMENT ACCOUNTING II**

**TIME OF PAPER : THREE (3) HOURS**

**TOTAL MARKS : 100 MARKS**

**INSTRUCTIONS:**

- 1. THERE ARE FOUR QUESTIONS ON THIS PAPER :  
FOUR (4)**
- 2. ANSWER ALL FOUR (4) QUESTIONS**
- 3. BEGIN THE SOLUTION TO EACH QUESTION ON A NEW  
PAGE**
- 4. THE MARKS AWARDED FOR A QUESTION ARE  
INDICATED AT THE END OF EACH QUESTION**
- 5. CALCULATIONS ARE TO BE MADE TO ZERO DECIMAL  
PLACES OF ACCURACY UNLESS OTHERWISE  
INSTRUCTED.**

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

**SPECIAL REQUIREMENTS : CALCULATOR**

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

**Question 1**

A) Define the term "flexible Budget" (4 Marks)

B) The following information is provided to you:

	<u>Budgeted Results</u>	<u>Actual Results</u>
Output (Units)	10 000	7 000
Direct Materials	20 000	15 000
Direct Labour	30 000	25 500
Variable factory overheads	40 000	30 000
Fixed factory overheads	20 000	19 000

**Required:** Prepare a flexible budget (16 Marks)

(c) You are given the following data:

Level of activity (units)	14 000	20 000	24 000
Total overheads	62 000	74 000	82 000

Total standard overhead cost per unit E3

**Required:** Compute the following:

- i) Variable cost per unit (2 marks)
- ii) Total fixed costs (2 Marks)
- iii) Total budgeted overhead at the standard level of activity

**Total 24 Marks**

## Question 2

### Year 2014 Projected Sales

Products	Units	Price
Zoba	60 000	E70
Bob	40 000	E100

### Year 2014 Inventories (in Units)

<i>Product</i>	Expected	Desired
	Jan 2002	Dec 31 2002
Zoba	20 000	25 000
Bobo	8 000	9 000

To produce one unit of Zoba and Bobo, the following raw materials are used:

Raw Material	Unit	Amount Used Per Unit	
		Zoba	Bobo
X	kgs	4	5
Y	kgs	2	3
Z	each	-	1

Projected data for year 2014 with respect to raw materials are as follows:

	Expected	Expected Inventories	Desired
<b>Inventories</b>			
Raw Materials	Purchase price/units	Jan 1, 2002	Dec 31, 2002
X	E8	32 000 kgs	36 000 kgs
Y	E5	29 000 kgs	32 000 kgs
Z	E3	6 000 kgs	7 000 kgs

Projected direct-labour requirement for 2014 and rates are as follows:

Product	Hours/Unit	Rate/Hour
Zoba	2	E3
Bobo	3	E4

\*Overhead is applied at the rate of E2 per direct labour hour.

**Required:** Based on the above projections and budget requirements for year 2014 for Zoba and Bobo, prepare the following budgets:

- 1) Sales budget in money ( 1 mark)
- 2) Production budget in units ( 4 marks)
- 3) Raw material budget ( 4 marks)
- 4) Raw materials purchases budget ( 4 marks)
- 5) Raw materials purchases budget in money ( 4 marks)
- 6) Direct labour budget in money ( 4 marks)
- 7) Budgeted finished goods inventory at 31 December 2014 ( 4 marks)

**TOTAL 25 Marks**

### QUESTION 3

#### **TOTAL ECLIPSE LIMITED**

TOTAL Eclipse Ltd which is engaged in the manufacture of a single product, the Blackout uses, standard costs and flexible budget for management control purposes.

The standard cost per unit for direct material is 8 kilograms at E2.40 per kilogram.

The budgeted direct labour for a 4 week period is 120 00 hours at a budgeted cost of E336 000.

The budgeted variable production overhead cost for the same number of hours is E108 000.

During the period, actual direct wages incurred were E306 912, and 42 000 units of Blackouts were produced.

Reported variances were:

Direct labour rate:	2 cents per hour favourable
Direct materials usage:	E38, 400 (A)
Direct materials price	E38 000 (F)
Variable production overhead	E1,200 (F)
Variable production overhead expenditure	E1,500 (A)

The materials price variance was calculated on quantities purchased, and amounted to 10 cents per kilogram (favourable).

There were no opening stocks of direct materials, but closing stocks amounted to 28, 000 kilograms.

**Required:** for the period:

- (a) The quantity of direct materials purchased; (4 marks)
- (b) The quantity of direct materials used in excess of the standard allowed (in kilograms), and the actual quantity used in total; (4 marks)
- (c) The variable production overhead efficiency variance; (4 marks)
- (d) The actual hours worked; (4marks)
- (e) The standard hours allowed for the production achieved, and from this the standard hours per unit of Blackout. (4 marks)
- (f) Actual variable overhead cost (4 marks)
- (g) Variable overhead cost per unit (4 marks)

**TOTAL 25 MARKS**

#### **QUESTION 4**

Dealers Ltd prepared the following figures:

	<b>Jan.</b>	<b>Feb.</b>	<b>Mar</b>	<b>Apr.</b>	<b>May</b>	<b>June</b>
Sales figures (units)	22 000	24 000	18 500	27 000	17 400	29 500
Selling price (per unit)	E 30					

#### **Additional information**

A credit sales account for 75% of all sales. Credit sales are collected as follows:

- 50% in the month of sale
- 20% in the month after the sale
- 18% in the second month after the sale
- The balance in the third month after the sale

Cost of sales is always 45% of total sales value and is paid 60% in the month of sale and 40% in the month after the sale.

Office salaries are paid by the end of the month. Office salaries for January amount to E18 000 and are expected to increase by 15% each month up to and including March.

A new motor vehicle costing E 120 000 is to be purchased in March. A deposit of 15% of the purchase price must be paid in the month of purchase and the balance in two monthly instalments commencing April. Rent of E6 000 per month per month is payable. This rental escalated by 10% each month for the first three months of the year, commencing January and ending 31 March.

Rates and taxes are to be paid as follows:

<b>Jan</b>	<b>Feb</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>
E2 700	E3 300	E1 985	E2 150	E3 100	E2 865

SRA are owed E 85 000 in taxes. This will be paid March.

**REQUIRED**

Prepare a cash budget (in columnar form) for March, April, May and June, showing detailed cash receipts and payments separately for each month.

(You need only show total cash payments and total cash receipts and carry forward of balances from month to month in not required).

**TOTAL 25 MARKS**