

UNIVERSITY OF SWAZILAND  
DEPARTMENT OF ACCOUNTING  
SUPPLEMENTARY EXAMINATION PAPER JULY 2014

DEGREE/ DIPLOMA AND YEAR OF STUDY : B.COM IV, B.COM V,  
B.COM LEVEL SEVEN

TITLE OF PAPER : ADVANCED MANAGEMENT ACCOUNTING II/  
ADVANCED MANAGEMENT ACCOUNTING

COURSE CODE : AC425/ AC505/ IDE AC502 (S) JULY 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 all 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: GRAPH PAPER

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

**Question 1**

Management of ABC Ltd asks you as a Management to account as to whether it is possible to estimate production costs at any production activity level

**REQUIRED:**

Explain briefly the different methods in which estimated production costs can be attained.

**(25 Marks)**

**Question 2**

ABC Ltd operates three divisions A, B, and C. The following data pertains to these three divisions.

	<b>DIVISION A</b>	<b>DIVISION B</b>	<b>DIVISION C</b>
Sales	E60,000	E75,000	E100,000
Operating income (profit)	(a)	E25,000	(e)
Operating assets	E30,000	(c)	E50,000
Return on investment (ROI)	15%	10%	20%
Minimum required rate of return	10%	(d)	(f)
Residual income (RI)	(b)	E5,000	0

**REQUIRED:**

**Supply the missing data in the table above. (25 Marks)**

### Question 3

A. In PERT network, briefly discuss the following terms:

- i) Critical path ( 2 Marks)
- ii) Slack ( 2 Marks)
- iii) Event ( 2 Marks)
- iv) Duration ( 2 Marks)
- v) Crashing ( 2 Marks)

B. The following schedule for Zakho Ltd contains activities and variable time estimates necessary to produce Product X.

Activity	Activity Representation	Weeks		
		a	m	b
A	1-2	4	6	7
B	1-3	2	3	5
C	1-4	5	6	7
D	3-4	1	2	3
E	3-5	1	2	4
F	2-5	2	4	6
G	4-5	1	3	6
H	2-6	7	8	9
I	5-6	1	2	3

**Required:** Using the above information:

- i) Draw a presentation of the PERT network (5 Marks)
- ii) Compute the earliest completion time ( $t_c$ ) necessary to complete an activity (5 Marks)
- iii) Identify the critical path (5 Marks)

**(Total 25 Marks)**

#### Question 4

Division A normally purchases its parts from division B of the same company. Division A has learnt that Division B is increasing its price E110 per unit. As a result Division A manager has decided to purchase the parts from an outside supplier at a unit cost of E100 which is E10 less than it would cost to purchase the same part from Division B. Division B manager has explained that inflation is the cause of the price increase and that the loss of parts normally transferred to Division A will hurt the division as well as the company profits. Division B manager feels that the company as a whole would benefit from the sale of parts to Division A. The following costs and unit purchases represent the normal annual transaction:

Units purchased	1000
B's variable cost per unit	E95
B's fixed cost per unit	E10

#### REQUIRED:

1. Determine whether the company as whole will benefit if Division A purchases the units from the outside supplier for E100 per unit? Assume that there are no alternative uses for B's facilities. **(10 marks)**
2. Determine the effect on the company as a whole if the outside selling price decreases by E8 per unit assuming that Division B remains idle. **(10 marks)**
3. If Division B's facilities could be put into production for other sales at an annual cost savings of E14,500, should Division A still purchase from outside? **(5 Marks)**

**Total (25 Marks)**