

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER JULY 2016

DEGREE/ DIPLOMA AND

YEAR OF STUDY : IDE B. COM V

TITLE OF PAPER : MANAGEMENT ACCOUNTING I

COURSE CODE : AC413

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS
- 1 There are three (3) questions, answer all.
 - 2 The marks awarded for a question/part are indicated at the end of each question/part.
 - 3 All notes and calculations must be shown on the answer sheet.

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.

Question 1

Simile Limited manufactures one standard product and operates a system of variance accounting using a fixed budget. As assistant management accountant, you are responsible for preparing the monthly operating statements (monthly profit and loss). Data from the budget, the standard product cost and actual data for the month ended 31 October are given below:

Budgeted sales and production data for the month: 10 000 units

Standard cost for each unit of product:

Direct material	
X	10 kg @ E 1 per kg
Y	5 kg @ E 5 per kg
Direct wages	5 hrs. @ E 3/ hr.

Fixed production overhead is absorbed at 200% of direct wages

Budgeted sales price has been calculated to give a profit of 20% of sales price.

Actual data for the month ended 31 October:

Production: 9 500 units sold at a price of 10% higher than that budgeted.

Direct materials consumed:

X: 96 000 kg @ E 1.20 per kg

Y: 48 000 kg @ E 4.70 per kg

Direct wages incurred 46 000 hours at E 3.20 per hour.

Fixed production overheads incurred E 290 000

Required;

- i) From the data above, compute all the relevant variances for the month of October
- ii) Prepare a reconciliation between the actual profit and the budgeted profit.

Total: 30 Marks

Question 2

Nobuhle enterprises operates in the leisure and entertainment industry and one of its activities is to promote concerts at locations throughout Africa. The company is examining the viability of a concert in Maputo. Estimated costs are \$ 60 000. These include fees paid to performers, the hire of the venue and advertising costs. Variable costs consist of the cost of pre-packed buffet which will be provided by the firm of caterers at a price, which is currently being negotiated but is likely to be in the region of \$ 10 per ticket sold. The proposed price for the sale of a ticket is US\$ 20. The management of Norvic have requested the following information:

1. The number of tickers that must be sold to break-even
2. The number of tickets that must be sold to earn a target profit of \$ 30 000.
3. The profit that would result from the sale of 8 000 tickets.
4. The selling price that would have to be charged to earn a profit of \$ 30 000 on sales of 8 000 tickets.
5. Additional tickets that would need to be sold to cover costs of extra television advertisement worth \$ 8 000.
6. Discuss the possible reasons for the company to use US\$ in its pricing

30 Marks

Question 3

Sakhiwo advertises and sells residential property on behalf of customers. The company has been in business for only a short time and is preparing a cash budget for the month period commencing in August 2016 and ending in November 2016. Expected sales of residential properties are as follows;

Month	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16
Units sold	10	10	15	25	30

The average price of each property is E 180 000 and Sakhiwo charges a fee of 3% on the value of each property sold. Sakhiwo receives 1% in the month of sale and 2% in the month after the sale. The company has nine (9) employees who are paid on a monthly basis. The average salary per employee is E 35 000 per year. If more than 20 properties are sold in a given month, each employee is paid in that month a bonus of E 140 for each additional property sold. Variable expenses are incurred at the rate of 0.5 % of the value of each property sold and these expenses are paid in the month of sale. Fixed overheads of E 4 300 per month are paid in the month in which they arise. Sakhiwo pays interest at the end of every three months in a year (a year commencing in January). An outstanding tax liability of E 95 800 is due to be paid in November. In the same month, Sakhiwo intends to dispose one of the vehicles with a net book value of E 15 000 for E 20 000. The cash balance at the beginning of August 2016 is expected to be a deficit of E 40 000.

Required:

- a) Prepare a monthly cash budget for the period from August to November 2016. Your budget must clearly indicate each item of income and expenditure, and the opening and closing monthly cash balances.
- b) Discuss the factors to be considered by Sakhiwo when planning to invest any cash surpluses forecast by its cash budgets.
- c) Discuss the advantages and disadvantages to Sakhiwo of using overdraft finance to fund any cash shortages forecast by its cash budgets.
- d) Give two possible reasons on why forecasts may be inaccurate.

Total: 40 Marks