

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

FACULTY OF COMMERCE

MAIN FINAL EXAMINATION PAPER

December 2015

DEGREE / YEAR OF STUDY: BACHELOR OF COMMERCE YEAR IVth YEAR

Title of Paper : **ADVANCED MANAGEMENT ACCOUNTING .1**
Course Code : AC424 December 2015
Total Marks : 100
Time Allowed : **THREE HOURS**

Instructions

- (i) There are **FOUR** Questions Answers to All
- (ii) Begin the solutions to each Question on a New page
- (iii) The marks awarded for each question are indicated at the end of the question
- (iv) Show all your workings
- (v) Calculations are to be made to zero decimal places of accuracy, unless otherwise Instructed.

RECOMMENDATION: Reading time should not exceed fifteen minutes

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.

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

SPECIAL REQUIREMENTS : CALCULATOR

QUESTION No.1

- i.Explain Your understanding of the term “ Break-Even- Point“ (Marks:03)
- ii. What are the Five assumptions of Cost- Volume - Profit Analysis. (Marks:10)
- iii. VISION COMPANY LTD is currently producing and selling 20,000 units at a selling price Of E20 and the Variable cost per unit is E12. Total fixed costs is E1,20,000 (Marks:12)

REQUIRED

- a. What is the Present Net Profit of the Company.
- b. Calculate the Present Break- Even Point in Units.
- c. Compute the present Margin of Safety in units.
- d. Management is considering decreasing the selling price by 20% which will result in 10% increase in sales demand. Fixed Costs and Variable Cost per unit will not change. Advise to Management.

QUESTION No. 2

- i. What is Linear Programming? (Marks:03)
- ii. Explain what are the Four steps for Graphic Solution to Linear Programming. (Marks:10)
- iii .Explain what are the Four factors of Income determination under Marginal Costing and Absorption Costing. (Marks:12)

QUESTION No. 3

Samsung company limited a manufacturing company sells its product for E40 Per unit. The standard capacity is 20,000 units. Relevant data is as follows: (Marks:25)

Particulars	2012	2013	2014
Units Produced	22,000	18,000	20,000
Units sold	18,000	20,000	20,000
Inventory change	+4,000	_2,000	0

The standard manufacturing cost per unit was as follows:

Variable :

Direct material	E10
Direct Labour	E8
Manufacturing overhead	E6
Total variable costs	E24

Non- Variable manufacturing Cost	E4
Total cost per unit	E28
Selling and Administrative Expenses:	
Fixed (budgeted per Year)	E80,000
Variable cost per unit sold	E.1.60

Required:

Prepare income statement under absorption costing and direct costing methods.

QUESTION No.4

i Explain the following of the terms
 a .Relevant Cost b. Differential Cost c. Incremental Cost. (marks:12)

ii. XYZ company limited is currently producing 1,600 units which is 80% of its capacity. The normal / standard selling price per unit is E. 40. The cost per unit is made up as follows.

Particulars	Cost per Unit
Direct Materials	E8
Direct Labour	E12
Variable Overhead	E4
Fixed Overhead	E8
Total	E32

Two customers are given options i.e customer A has approached to the company to supply 400 units at each one E 28. and another B customer has approached to the company to supply 400 units at each one E22.

Required.

You are required to advise the company on which of the two customer offers should be accepted or rejected , giving reasons for your answer. (Marks:13)