

University of Eswatini
Department of Accounting and Finance
Main Exam Paper - Semester - II

Programme of Study : Bachelor of Commerce
Year of Study : Year Three / Level Four
Title of Paper : Intermediate Management Accounting
Course Code : ACF314/AC324
Time Allowed : 3 Hours.

- Instructions:
1. Total number of questions on this paper is four (4).
 2. Answer all the questions.
 3. The marks awarded for a question / part is indicated at the end of each question / part of question.
 4. Where applicable, submit all workings and calculations on the answer sheet alongside the case.
 5. Calculations are to be made to two 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 and the general quality of expression, together with the layout and presentation of your final answer.

Special requirement : Calculator

This paper is not to be opened until permission has been granted by the invigilator.

QUESTION 1:

Sangeeth Ltd makes and sells a single product. The following data relates to periods 1 to 4:

Variable cost per unit	E 30
Selling price per unit	55
Fixed costs per period	6,000

Normal activity is 500 units and production and sales for the four periods are as follows:

	Period 1 units	Period 2 units	Period 3 units	Period 4 units
Sales	500	400	550	450
Production	500	500	450	500

There were no opening stocks at the start of the period 1.

Required:

- i) Prepare operating statements for EACH of the periods 1 to 4 based on marginal costing principles. **(10 marks)**
- ii) Prepare operating statements for EACH of the periods 1 to 4 based on absorption costing principles. **(10 marks)**
- iii) Comment briefly on the results obtained in each period AND in total by the two systems. **(5 marks)**

Total (25 marks)

QUESTION 2:

Y is a manufacturing company that produces four products. Each uses the same resources but in different quantities. Details of the four products and relevant information are given below for one period.

Product	A	B	C	D
Output in units	140	120	100	140
Costs per unit	E	E	E	E
Direct material	50	50	32	62
Direct labour	30	22	13	23
Machine hours (per unit)	4	3	2	3

The four products are similar and are usually produced in production runs of 20 units and sold in batches of 10 units.

The production overhead is currently absorbed by using a machine-hour rate, and the total of the production overhead for the period has been analysed as follows:

Machine department costs	E 10,000
Set-up costs	5,220
Stores receiving	4,000
Inspection	3,500
Materials handling & dispatch	5,000

The cost drivers to be used are as listed below for the overhead costs shown:

Cost	Cost driver
Set-up costs	Number of production runs
Stores receiving	Requisitions raised
Inspection	Number of production runs
Material handling & dispatch	Orders executed

The number of requisitions raised on the stores was 20 for each product and the number of orders executed was 50, each order being for a batch of 10 of a product.

Required:

- i) To calculate the total cost for each product if all overheads costs are absorbed on a machine hour basis **(10 marks)**
 - ii) To calculate the total cost for each product, using Activity Based Costing. **(15 marks)**
- Total (25 marks)**

QUESTION 3:

- a. A company produces and sells two products with the following costs:

	Product X	Product Y
Variable costs per E of sales	E0.45	E0.6
Fixed costs	E1,212,000	E1,212,000
	Per period	

Total sales revenue is currently generated by the two products in the following proportions:

Product X	70%
Product Y	30%

Required:

- i) Calculate the break-even sales revenue per period, based on the sales mix assumed above. (8 marks)
Note: Take average contribution per E of sales up to three decimal digits.
 - ii) Prepare a profit volume chart of the above situation for sales revenue up to E 4,000,000. Show on the same chart the effect of a change in sales-mix to Product X 50 percent, Product Y 50 percent. Clearly indicate on the chart the break-even point for each situation. (11 marks)
 - iii) Of the fixed costs E 455,000 are attributable to product X. Calculate the sales revenue required on product X in order to recover the attributable fixed costs and provide a net contribution of E700,000 towards general fixed costs and profit. (6 marks)
- Total (25 marks)**

b. The table below shows the output, total costs and the cost inflation index for a business in two periods. Cost behaviour patterns were the same in both periods.

Output level	Total cost	Inflation index
24,000 units	E 42,000	1.05
32,000 units	E 53,560	1.03

Calculate the variable cost per unit at an inflation index of 1.08 (5 marks)
Grand total (30 marks)

QUESTION 4:

Write short note on the following:

- i) Five assumptions on which cost-volume-profit analysis is based.
- ii) Difference between variable and absorption costing systems.
- iii) ABC cost hierarchy.
- iv) Zero-based budgeting

Total (4 * 5 = 20 marks)

End of exam question paper