University of Eswatini
Department of Accounting
Supplementary / Re-sit Exam Paper - Semester - I

Programme of Study	:	Bachelor of Commerce
Year of Study	:	Year Four / Level Five
Title of Paper	:	Advanced Management Accounting I
Course Code	:	ACF413/AC424
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:

Budgeted information for Zenco Limited for the following period, analysed by product, is shown below:

	Product I	Product II	Product III
Sales units (000)	250	400	250
Selling price (E per unit)	12.00	11.50	7.00
Variable cost (per unit)	6.50	5.50	5.50
Attributable fixed cost (E000s)	285	400	300

General fixed costs, which are apportioned to products as a percentage of sales, are budgeted at E 1,900,000. (Round off the decimal digits to the nearest integer)

Required:

i) Calculate the budgeted profit of Zenco Limited and of each of its products
ii) Recalculate the budgeted profit of Zenco Limited on the assumption that Product III is discontinued, with no effect on sales of the other two products. State and justify other assumptions made.
iii) Calculate the minimum extra sales units required of Product I to cover additional advertising expenditure of E 70,000. Assume that all other fixed costs would remain unchanged.

(25 marks)

QUESTION 2:

Umhlanga Furniture, designs and manufactures and assembles furniture. One of the departments is manufacturing department. This department is labour intensive. Budgets are set centrally and they are then sent to various departments who then have responsibility of achieving the targets.
The statement for December for the assembly department is shown below:

	Budget	Actual	Variances
Sales units	70,000	60,000	
	(E)	(E)	
ManufacturingMaterial	38,000	40,000	Adverse
Manufacturing labour	112,500	115,000	Adv
Overheads	94,500	89,600	Fav

The manager has sent you some additional information about the budget.
Material costs vary with sales. Forrty per cent of manufacturing labour costs are variable with sales. The variable portion of overheads is E0.20 per unit.

Required:

Prepare using the additional information that the manager of manufacturing department has given you, a **Performance Report** for Umhlanga Furniture.

(25 marks)

QUESTION 3:

a. Edmond Enterprises produces a single product. Variable manufacturing overhead is applied to products on the basis of direct labour hours. The standard costs for one unit of product are as follows:

	Standard product cost Unit (E)
Direct material: 6 kgs. at E4/kg	24
Direct labour: 1 hour at E7 per hour	7
Variable production overhead	3
	E34

Budgeted production is 20,000 units per month.
Actual production and costs for the month of June were as follows:
Number of units produced 18,500 units.
Direct material purchased and used 113,500 kg at E3.90 per kg.
Direct labour: 17,800 hours at E7.30 per hour
Variable manufacturing overhead incurred E58,800

Required: Calculate

i) Material price variance
ii) Material usage variance
iii) Wage rate variance
iv) Labour efficiency variance **(15 marks)**

b. The following price, revenue and cost functions have been established by an organization for one of its products.
Q = Number of units produced and sold per week.
Price (E per unit) = 50 – 0.025Q
Total weekly cost = 1,200+20Q

Required: Calculate
i) Weekly profit maximizing price
ii) Weekly total contribution if the price of the product was set at E25 per unit.

(10 marks)
Total (25 marks)

QUESTION 4:

Write **short notes** on the following:
i) Stages in budgeting process
ii) Zero base budgeting
iii) Attributable or traceable fixed costs
iv) Different types of control mechanisms
v) Identify and describe the purposes of a standard costing system

Total (5*5 = 25 marks)

<u>End of exam question paper</u>