

**UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER NOVEMBER 2019**

TITLE OF PAPER : ADVANCED MANAGEMENT ACCOUNTING I

COURSE CODE : ACF413/AC424 (M) NOVEMBER 2019

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 the necessary working.**
 - 5 Calculations are to be made to zero 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 general quality of expression, together with layout and presentation of your answer.

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SPECIAL REQUIREMENTS: CALCULATOR

Question 1

Accounting is a language that communicates economic information to various parties who have an interest in the organisation.

Required:

- a. Identify and describe five users of management accounting information. **(10 Marks)**
- b. Discuss the important changes that have taken place in the business environment in the last decade that have influenced management accounting practice. **(15 marks)**

[Total 25]

Question 2

- a. Netmax (Pty) Ltd manufactures three joint products in an unrefined state. The following is the operating results for the month of September 2019.

Product X	1000 Kg
Product Y	800 Kg
Product Z	800 Kg

The operating cost for the month of September was E 13000. The closing stocks for product X was 200 Kg, product Y 150 Kg and product Z 5 Kg. There were no opening inventories and the output was sold to another company for further processing at the following prices:

Product X	E 6/Kg
Product Y	E 5/Kg
Product Z	E 10/Kg

Required:

Prepare an operating statement showing the relevant trading results for September 2019.

(6 Marks)

- b. The management of Netmax (Pty) Ltd is considering a proposal to further process these products on their own. The current market prices of fully processed products X, Y and Z are:

Product X	E 18/Kg
Product Y	E 15/Kg
Product Z	E 22/Kg

The estimated costs of further processing are as follows:

Product X (Cost/Kg)	Product Y (Cost/Kg)	Product Z (Cost/Kg)
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	E	E	E
Direct materials	0.50	0.75	2.00
Direct Labour	2.50	2.25	4.50
Variable overheads	1.00	2.00	5.50

Prime costs comprised variable and fixed overheads of E 7 500 per month that would be direct to the further processing activity. Product Y would require special equipment and would be rented at an additional cost of E 3 000 per month. It is assumed no weight loss in further processing operation and the quantity processed each month would be similar to September's output indicated in (a) above.

Required:

- i. Prepare a statement that will assist management to evaluate the proposal to commence further processing operations. **(17 Marks)**
- ii. Provide relevant comments on your observation in (i) above. **(2 Marks)**

[Total 25]

Question 3

Musa uses flexible budgets as part of her budgetary control system. The following information is available for the year ended 30th September 2019.

Units	Fixed Budget Activity Level		Actual Activity Level
	1000 E	3000 E	2500 E
Sales	25 000	75 000	63 000
Direct labour	5 000	15 000	12 800
Direct material	6 000	18 000	14 500
Semi-Variable overheads	4 000	7 500	7 250
Fixed costs	5 000	5 000	5 200
Profit	5 000	29 500	23 250

Required:

- a. State two advantages to a business of using a budgetary control system. **(2 Marks)**
- b. Calculate the flexed budgeted profit for the year ended 30 September 2019. **(8 Marks)**
- c. Prepare a statement, showing the relevant variances, to reconcile the flexed budget profit with the actual profit. **(6 Marks)**

Additional information

For the month of October 2019, Musa's business showed a favourable total direct material variance and an adverse total direct labour variance.

Required:

- d. Suggest what may have caused the:
 - i. Favourable total direct material variance (2 Marks)
 - ii. Adverse total direct labour variance. (2 Marks)
 - e. Advise Musa whether or not she should continue to flex the budgeted data. Justify your answer. (5 Marks)
- [Total 25]**

Question 4

- a. The use of standard costs in pricing and budgeting is quite valuable since decisions in the field of pricing and budgetary planning are made before the cost under consideration is incurred.

Required:

Discuss the benefits of setting standard costs for a sole trader. (10 Marks)

- b. Describe any three types of standards. (6 Marks)

- c. The following data relates to the production department of ABC Production Company Limited for the week ended 30th September 2019.

Standard output for 40 hour week	14 000 units
Standard fixed overhead	E 140 000
Actual output	12 000 units
Actual hours worked	32 hours
Actual fixed overhead	E 150 000

Required:

- i. Compute the expenditure and volume variances. (4 Marks)
- ii. Analyse the volume variance between capacity and productivity. (4 Marks)
- iii. Briefly comment on one possible cause of expenditure variance in (i) above.

(1 Mark)

[Total 25]
