

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING
RESIT/SUPPLEMENTARY EXAMINATION PAPER JANUARY 2020

TITLE OF PAPER : ADVANCED MANAGMENT ACCOUNTING I

COURSE CODE : ACF413/AC424 (S) JANUARY 2020

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

a.

- i. Distinguish between Management Accounting and Financial Accounting. (1 Marks)
- ii. Information produced by management accountants must be judged in the light of its ultimate effect on the outcome of decisions. It is therefore important to understand decision making, planning and control process.

Required:

Describe the six decision making, planning and control process. (12 Marks)

- b. Opportunity costs and notional costs are not recognised by financial accounting systems but need to be considered in many decisions taken by management.

Required:

Explain briefly, giving two examples each, to illustrate the meaning of:

- i. Opportunity costs (6 Marks)
 - ii. Notional costs (6 Marks)
- [Total 25]

Question 2

- a. Joint products can be defined as distinctly different major products that are inevitably produced simultaneously from common inputs or by common processing.

Required:

Describe any five features of joint products. (10 Marks)

- b. M (Pty) Ltd manufactures Product A, which yields two joint products, B and C. The actual joint expenses of manufacture for a period were E 8 000.

It was estimated that the profits on each product as a percentage of sales would be 30%, 25% and 15% respectively. Subsequent expenses were as follows:

	Product A	Product B	Product C
	E	E	E
Sales	6 000	4 000	2 500
Direct materials	100	75	25

Direct wages	200	125	50
Overheads	<u>150</u>	<u>125</u>	<u>75</u>
Total	450	325	150

Required:

Prepare a statement showing the apportionment of the joint expenses of manufacture over the different products. Also assume that selling expenses are apportioned over the products as a percentage of sales. **(8 Marks)**

c.

- i. Define the term 'bottleneck' in relation to relevant costs for decision making. **(2 Marks)**
 - ii. Highlight five ways to relax or elevate the bottleneck. **(5 Marks)**
- [Total 25]**

Question 3

Ocean (Pty) Limited manufactures a single product. The budgeted information for September 2019 is as follows:

Sales and production	8000 units
Direct materials (per unit)	3 kilos at E 5 per kilo
Direct labour (per unit)	2 hours at E 20 per hour

The total fixed overheads absorbed on the basis of direct labour hours were E 128 000.

The actual sales and production for September 2019 was 7800 units.

- a. Prepare a statement to show the total flexed budgeted production costs for September 2019. **(4 Marks)**

Additional information

The actual production costs for September 2019 were:

	E
Direct materials (21 840 kilos)	117 936
Direct labour (16 380 hours)	335 790
Fixed overheads	131 040
Total production costs	584 766

- b. Calculate the following variances from the above information.
- | | | |
|------|----------------------------|-----------|
| i. | Material price | (2 Marks) |
| ii. | Material usage | (2 Marks) |
| iii. | Labour rate | (2 Marks) |
| iv. | Labour efficiency | (2 Marks) |
| v. | Fixed overhead expenditure | (2 Marks) |
| vi. | Fixed overhead volume | (2 Marks) |
- c. Explain how a fixed overhead capacity variance may arise. (2 Marks)
- d. Prepare a statement reconciling the budgeted production costs at 7800 units with the actual production costs. (5 Marks)

Additional information

The directors of Ocean Limited expect that labour costs will increase by 10%. The effect of this will be to reduce budgeted profit.

- e. Explain to the directors one way in which they could minimise the effect of the increase in labour costs. (2 Marks)

[Total 25]

Question 4

- a. Explain the term “flexible budgeting”. (6 Marks)
- b. Explain how flexible budgeting may be utilized to control costs as well as enhance performance reporting in service industries. (10 Marks)
- c. Budgeting has been described by Jan Wallander as ‘unnecessary evil’ and Jack Welch as the ‘bane of corporate America’. Describe briefly some of the criticisms of budgeting as a performance management system. (9 Marks)

[Total 25]
