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UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING & FINANCE

MAIN EXAMINATION PAPER

DECEMBER 2014

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DEGREE/YEAR OF STUDY: BACHELOR OF- COMMMERCE YEAR IV

TITLE OF PAPER : MANAGEMENT ACCOUNTING I

COURSE CODE : IDE AC 413 (M) DECEMBER 2014

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 each question are indicated at the end of the question.
  - 4 Show all your workings.
  - 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 language together with the layout and presentation of your final answer.

SPECIAL REQUIREMENTS: CALCULATOR

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

**Question 1**

A) Define the term "Flexible Budget" **(4 marks)**

B) The following information is provided to you:

	Budgeted Results	Actual Results
Outputs (Units)	10,000	7,000
Direct Materials	20,000	15,000
Direct Labour	30,000	25,000
Variable factory overheads	40,000	30,000
Fixed Factory Overheads	20,000	19,000

Required :

Prepare a flexible budget **(16 marks)**

C) You are given the following data :

Level of activity (units)	14,000	20,000	24,000
Total overheads	62,000	74,000	82,000

Total Standard overhead cost per unit E3.

Required :

Compute the following:

i) Variable cost per unit **(2 marks)**

ii) Total fixed costs **(2 marks)**

iii) Total budgeted overhead at the standard level of activity **(1 mark)**

**Total 25 marks**

## Question 2

### Year 2014 Projected Sales

Products	Units	Price
Zoba	60 000	E70
Bobo	40 000	E100

### Year 2014 Inventories (in Units)

Product	Expected	Desired
	Jan 2014	Dec 31 2014
Zoba	20 000	25 000
Bobo	8 000	9 000

To produce one unit of Zoba and Bobo, the following raw materials are used :

Raw Material	Unit	Amount Used Per Unit	
		Zoba	Bobo
X	kgs	4	5
Y	kgs	2	3
Z	each	-	1

Projected data for year 2014 with respect to raw materials are as follows :

	Expected	Expected Inventories	Desired
Inventories			
Raw Materials	Purchase price/units	Jan 1, 2014	Dec 31, 2014
X	E8	32 000 kgs	36 000 kgs
Y	E5	29 000 kgs	32 000 kgs
Z	E3	6 000 kgs	7 000 kgs

Projected direct labour requirement for 2014 and rates are as follows :

Product	Hours/Unit	Rate/Hour
Zoba	2	E3
Bobo	3	E4

\*Overhead is applied at the rate of E2 per direct labour hour.

**Required :**

Based on the above projections and budget requirements for year 2014 for Zoba and Bobo, prepare the following budgets :

1. Sales budget in money **(1 mark)**
2. Production budget in units **(4 marks)**
3. Raw materials purchases budget **(4 marks)**
4. Raw materials purchases budget **(4 marks)**
5. Raw materials purchases budget in money **(4 marks)**
6. Direct labour budget in money **(4 marks)**
7. Budgeted finished goods inventory at 31 December 2014 **(4 marks)**

**Total 25 marks**

### QUESTION 3

#### **TOTAL ECLIPSE LIMITED**

TOTAL Eclipse Ltd which is engaged in the manufacture of a single product, the Blackout uses, standard costs and flexible budget for management control purposes.

The standard cost per unit for direct material is 8 kilograms at E2.40 per kilogram.

The budgeted direct labour for a 4 week period is 120 00 hours at a budgeted cost of E336 000.

The budgeted variable production overhead cost for the same number of hours is E108 000.

During the period, actual direct wages incurred were E306 912, and 42 000 units of Blackouts were produced.

Reported variances were:

Direct labour rate:	2 cents per hour favourable
Direct materials usage:	E38, 400 (A)
Direct materials price	E38 000 (F)
Variable production overhead	E1,200 (F)
Variable production overhead expenditure	E1,500 (A)

The materials price variance was calculated on quantities purchased, and amounted to 10 cents per kilogram (favourable).

There were no opening stocks of direct materials, but closing stocks amounted to 28, 000 kilograms.

**Required :**

For the period :

- (a) The quantity of direct materials purchased; (4 marks)
- (b) The quantity of direct materials used in excess of the standard allowed (in kilograms), and the actual quantity used in total; (4 marks)
- (c) The variable production overhead efficiency variance, (4 marks)
- (d) The actual hours worked, (4 marks)
- (e) The standard hours allowed for the production achieved, and from this the standard hours per unit of Blackout. (4 marks)
- (f) Actual variable overhead cost (2 ½ marks)
- (g) Variable overhead cost per unit (2 ½ marks)

**Total 25 marks**

#### Question 4

Sebernta Ltd produces four joint products through a single process from which there is also a by product output. It uses the sales value for apportion joint costs. The process cost for the month of March 2012 amounted to:

Direct materials	E465 000
Direct labour	127500
Production overhead	382,000

Production and sales during the month were as follows:

	Amount produced Units	Amount sold units	Sales price percent
Joint products:			
Go	7000	6300	E90
Re	9000	7000	E30
Cor	8000	6400	E22.50
Le	4000	3800	E90
By-product :			
Mac	15,000	15000	E1

There were no stocks at hand at the beginning of March 2012.

#### REQUIRED:

Prepare a statement showing the value of closing stocks at the end of March 2012 and a profit statement for the month of March 2012 for the company. Use the relative sales value at split-off.

N.B: you should assume that the cost accounting treatment of the by-product would be to credit the process account with the net sale proceeds of the by-product.

(25 Marks)