



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

MANAGEMENT ACCOUNTING ASPECTS 4 MAA41-2

LAST ASSESSMENT OPPORTUNITY

12 November 2015

Time: 3 hours

Marks: 100

Assessor: MR K DALY
Internal Moderator: MS M JANSE VAN RENSBURG
External Moderator: MR J DE BEER

INSTRUCTIONS:

This paper consists of 6 pages including the cover page.

Answer all questions.

Show all calculations, workings and reasoning clearly.

Silent, non-programmable calculators may be used.

| Question | Topic | Marks | Time |
|----------|---------------------|------------|--------------------|
| 1 | Inventory control | 10 | 18 minutes |
| 2 | Net wage | 10 | 18 minutes |
| 3 | Mixed costs | 5 | 9 minutes |
| 4 | Inventory valuation | 25 | 45 minutes |
| 5 | CVP analysis | 20 | 36 minutes |
| 6 | Cash budget | 30 | 54 minutes |
| | | 100 | 180 minutes |

Question 1

(10 marks)

The following information pertains to Madrilona Manufacturers for a year of production:

| | | |
|-------------------|---------|---------------------------------|
| Minimum lead time | | 2 weeks |
| Average lead time | | 4 weeks |
| Maximum lead time | | 6 weeks |
| Consumption: | Normal | 1 000 units per week |
| | Minimum | 720 units per week |
| | Maximum | 1 280 units per week |
| Cost per order | | R32 |
| Carrying cost | | R3,80 per unit of average stock |
| Material cost | | R60 per unit |

Required:

Calculate the following in respect of the material:

- | | | |
|-----|--------------------------|-------------------|
| 1.1 | Economic order quantity | (2 marks) |
| 1.2 | Re-order level | (2 marks) |
| 1.3 | Minimum inventory level | (2 marks) |
| 1.4 | Average inventory level | (2 marks) |
| 1.5 | Maximum inventory level. | (2 marks) |
| | | (10 marks) |

Question 2

(10 marks)

The wage clerk of Bayern Manufacturing CC prepared the following wage analysis for the second week of October 2015 for D Dhlomo:

| | Hours Worked |
|-----------|--------------|
| Monday | 10 |
| Tuesday | 9 |
| Wednesday | 9 |
| Thursday | 8 |
| Friday | 9 |
| Saturday | 5 |
| Sunday | 4 |

Question 2 (continued)**Additional Information:**

1. According to the tables provided by SARS, the PAYE deduction is 18% of taxable income.
2. The UIF deduction is equivalent to 1% of gross income.
3. The employee's contribution to the medical aid is 4% of gross wages, excluding overtime. This is matched rand for rand by the employer.
4. The pension fund contribution (based on normal time) is made up as follows:
Employee's contribution: 7%
Employer's contribution: 14%
5. Guaranteed hourly wage rate is R40 per hour.
6. The normal working week extends from Monday to Friday for 8 hours per day. Any overtime worked on weekdays and on Saturdays is overtime at time and a half.
7. Extra time worked on any other day in the calendar week is remunerated at double time.

Required:

Calculate the net wage due to D Dhlomo for the second week in October 2015. (Show all workings)

(10 marks)**Question 3****(5 marks)**

You are the management accountant of The Tree House B & B in the Pilansberg Nature Reserve. The bookings clerk provides the following occupancy figures for the holiday period that extended from 1 September 2014 to 31 March 2015:

| Month | Number of guests per month | Mixed costs (R) |
|-----------|----------------------------|-----------------|
| September | 950 | 488 000 |
| October | 1 040 | 491 600 |
| November | 630 | 475 200 |
| December | 430 | 233 600 |
| January | 360 | 467 200 |
| February | 480 | 469 200 |
| March | 344 | 463 760 |

Required:

Calculate the fixed and variable cost component of the above mixed costs by using the high/low method.

(5 marks)

Question 4

(25 marks)

Fabric8 Manufacturing Ltd supplies the following information for an item of raw material inventory:

| | | |
|--------|-------------------|--------------------------|
| 01 Jan | Opening inventory | 1 000 kgs @ R3.00 per kg |
| 05 Jan | Receipt | 3 000 kgs @ R3.12 per kg |
| 08 Jan | Issue | 800 kgs |
| 14 Jan | Issue | 1400 kgs |
| 19 Jan | Receipt | 1 500 kgs @ R3.20 per kg |
| 23 Jan | Issue | 1 300 kgs |
| 29 Jan | Issue | 1 100 kgs |
| 30 Jan | Receipt | 1 500 kgs @ R3.40 per kg |
| 31 Jan | Issue | 1 400 kgs |

Required:

Calculate the value of closing inventory and the value of issues using:

4.1 the FIFO method in a periodic inventory system (10 marks)

4.2 the Weighted Average method in a perpetual inventory system. (15 marks)
(Round off calculations to the nearest cent)

(25 marks)**Question 5**

(20 marks)

Cleveland Manufacturing supplies you with the following profit or loss statement:

Marginal profit or loss statement for the year ended 30 September 2015

| | R '000 |
|--|-------------------|
| Sales (300 000 units @ R20 each) | 6 000 |
| Variable costs of goods sold (300 000 @ R12) | <u>3 600</u> |
| Manufacturing profit | 2 400 |
| Variable selling costs (300 000 @ R1.20) | <u>360</u> |
| Marginal income | 2 040 |
| Total fixed costs | <u>1 768</u> |
| Manufacturing fixed costs | 1 080 |
| Selling fixed costs | 250 |
| Administration fixed costs | 438 |
| Profit | <u>272</u> |

Question 5 (continued)**Required:**

- 5.1 Calculate the enterprise's break-even quantity in units and the sales value for 2015.
- 5.2 What is the enterprise's margin of safety based on the above profit or loss statement?
- 5.3 Calculate the break-even point for 2016 if the fixed costs of Cleveland Manufacturing increase by R192 000 and the variable costs decrease by R0.20 cents per unit.

(20 marks)**Question 6****(30 marks)**

The following information was extracted from the records of CashControl (Pty) Ltd:

| | January R | February R | March R |
|----------------------|--------------|---------------|------------|
| Sales (70% cash) | 3 600 000 | 3 200 000 | 3 000 000 |
| Purchases (10% cash) | 1 600 000 | 1 760 000 | 2 000 000 |
| Salaries and wages | 560 000 | 560 000 | 1 120 000 |
| Overhead expenses | 480 000 | 560 000 | 600 000 |

Additional information:

1. The opening bank balance on 1 January 2015 is expected to be an overdraft of R700 000.
2. Credit sales are collected as follows:
 - 60% in the month following the month of sale;
 - 35% in the 2nd month following the month of sale.
 - 5% will prove to be bad.
3. Credit sales were R1 800 000 in November and R2 000 000 in December 2014.
4. Credit purchases are paid in the month following purchase less a 2% discount.
5. Creditors for purchases at 1 January 2015 are:
 - for December 2014 purchases R840 000.
6. Overhead expenses include a monthly depreciation charge of R72 000. Overhead expenses are paid in the month following the month in which they are incurred.
7. Creditors for overhead expenses at 1 January 2015 are:
 - for December 2014 overheads: R440 000.
8. A provisional tax payment of R500 000 must be made at the end of February 2015.
9. A new manufacturing machine will be bought in February 2015 for R4 000 000. A deposit of R800 000 will be paid on 1 February 2015. Monthly instalments of R120 000 must be paid for 36 months from the end of February 2015.
10. A dividend of R140 000 from shares in another company will be received in March 2015.

Question 6 (continued)

Required:

Prepare a cash budget for CashControl (Pty) Ltd for January, February and March 2015.

(30 marks)

[100 marks]

END OF PAPER