UNIVERSITY OF JOHANNESBURG

Department of Commercial Accounting

MANAGEMENT ACCOUNTING ASPECTS 4

MAA41-2

LAST ASSESSMENT OPPORTUNITY

13 November 2014

Time: 3 hours **Marks: 100**

Assessor: MR K DALY
Internal Moderator: MR R BOERSMA
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 Augusta Manufacturers:

Minimum lead time		2 weeks
Average lead time		4 weeks
Maximum lead time		6 weeks
Consumption:	Normal	250 units
	Minimum	180 units
	Maximum	320 units
Cost per order		R8
Carrying cost		R0,95 per unit of average stock
Material cost		R15 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 stock level (2 marks)

1.4 Average stock level (2 marks)

1.5 Maximum stock level. (2 marks)
(10 marks)

Question 2 (10 marks)

The wage clerk of Made4U CC prepared the following wage analysis for the second week of October 2014 for J. Gumede:

	Hours Worked
Monday	10
Tuesday	8
Wednesday	8
Thursday	8
Friday	9
Saturday	4
Sunday	2

Question 2 (continued)

Additional Information:

1. According to the tables provide 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 R30,50 per hour.
6. The normal working week extends from Monday to Friday for 8 hours per day. Any overtime worked in addition to this on week days 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.

<u>Required:</u>

Calculate the net wage due to J Gumede. (Show all workings)

(10 marks)

Question 3 (5 marks)

You are the management accountant of The Canopy Cabins B & B in the Knysna Nature Reserve. The bookings clerk provides the following occupancy figures for the holiday period that extends from 1 January to 31 July of each year:

Month	Number of guests per month	Mixed costs (R)
January	475	73 200
February	520	73 740
March	315	71 280
April	215	70 080
May	180	69 660
June	240	70 380
July	172	69 564

<u>Required:</u>

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

(5 marks)

Question 4 (25 marks)

G4Go Manufacturing Ltd supplies the following information for an item of raw material inventory:

01 Jan	Opening stock	100 kgs @ R6.00 per kg
05 Jan	Receipt	300 kgs @ R6.24 per kg
08 Jan	Issue	80 kgs
14 Jan	Issue	140 kgs
19 Jan	Receipt	150 kgs @ R6.40 per kg
23 Jan	Issue	130 kgs
29 Jan	Issue	110 kgs
30 Jan	Receipt	150 kgs @ R6.80 per kg
31 Jan	Issue	140 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)

(25 marks)

Question 5 (20 marks)

Taylor Manufacturing has the following income statement for 2014

Marginal income statement for the year ended 30 September 2014

	R ‘000
Sales (300 000 units @ R20 each)	6 000
Variable costs of goods sold (300 000 @ R12)	3 600
Manufacturing profit	2 400
Variable selling costs (300 000 @ R1.20)	360
Marginal income	2 040
Fixed costs	1 768
Manufacturing costs	1 080
Selling cost	250
Administration costs	438
Profit	**272**

Question 5 (continued)

Required:

5.1 Calculate the enterprise's break-even quantity in units and the sales value for 2014.

5.2 What is the enterprise's margin of safety based on the above income statement?

5.3 Calculate the break-even point for 2015 if the fixed costs of Taylor Manufacturing increase by R192 000 and the variable costs decrease by R0, 20 cents per unit during 2015.

(20 marks)

Question 6 (30 marks)

The members of FMG CC have approached you to compile a cash budget for the CC for the first 3 months of 2014. The following information was supplied to:

	January	February	March
	R	R	R
Sales (40% cash)	900 000	950 000	975 000
Purchases (20% cash)	400 000	410 000	420 000
Salaries and wages	160 000	160 000	160 000
Overhead expenses	130 000	130 000	140 000

Additional information:

1. The opening bank balance on 1 January 2014 is expected to be an overdraft of R500 000.
2. Credit sales are collected as follows:
   40% in the month following the month of sale;
   55% in the 2nd month following the month of sale.
   5% will prove to be bad.
3. Credit sales were R550 000 in November and R600 000 in December 2013.
4. Credit purchases are paid in the month following purchase less a 2% discount.
5. Creditors for purchases at 1 January 2014 are:
   for December 2013 purchases R260 000.
6. Overhead expenses include a monthly depreciation charge of R15 000. Overhead expenses are paid 70% in the month following the month in which they are incurred and 30% in the following month.
7. Creditors for overhead expenses at 1 January 2014 are:
   for November 2013 overheads R30 000 and December 2013 overheads: R110 000.
8. A provisional tax payment of R125 000 must be made at the end of February 2014.
9. New manufacturing equipment will be bought in February 2014 for R300 000. A deposit of R60 000 will be paid in February. Monthly instalments of R6 000 must be paid for 36 months from the end of March 2014.
10. The sale of the old manufacturing equipment in February 2014 will raise R30 000.

Question 6 (continued)

Required:

Prepare a cash budget for January, February and March 2014.

(30 marks)

[100 marks]

END OF PAPER