



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

MANAGEMENT ACCOUNTING ASPECTS 4 MAA41-2

SUPPLEMENTARY ASSESSMENT OPPORTUNITY

January 2018

Time: 3 hours

Marks: 100

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

INSTRUCTIONS:

This paper consists of 7 pages including the cover page.

Answer all questions.

Show all calculations, workings and reasoning clearly.

Silent, non-programmable calculators may be used.

HAND IN THIS QUESTION PAPER.

Question	Topic	Marks	Time
1	Concepts & definitions	10	18 minutes
2	Labour allocation	10	18 minutes
3	Labour	10	18 minutes
4	Inventory valuation	10	18 minutes
5	Manufacturing overheads	10	18 minutes
6	CVP analysis	20	36 minutes
7	Cash budget	30	54 minutes
		100	180 minutes

Question 1

(10 marks)

Required:

Select the correct answer from the options provided in each of the following: (Write down the number and the correct letter only)

- 1.1 Indirect labour is a part of:
A) Prime cost.
B) Conversion cost.
C) Period cost.
D) Non-manufacturing cost.
- 1.2 The cost of lubricants used to grease a production machine in a manufacturing company is an example of a(n):
A) period cost.
B) direct material cost.
C) indirect material cost.
D) none of the above.
- 1.3 The salary paid to the Chief Executive Officer of Orion Company Limited would be classified on the income statement as a(n):
A) administrative expense.
B) direct labour cost.
C) manufacturing overhead cost.
D) selling expense.
- 1.4 Prime cost consists of:
A) direct labour and manufacturing overhead.
B) direct materials and manufacturing overhead.
C) direct materials and direct labour.
D) direct materials, direct labour and manufacturing overhead.
- 1.5 Wages paid to a cleaner in a factory are a:
- | | Prime cost | Conversion cost |
|--------|------------|-----------------|
| A) Yes | Yes | No |
| B) Yes | No | Yes |
| C) No | Yes | No |
| D) No | No | Yes |
- 1.6 Depreciation on a personal computer used in the marketing department of a manufacturing firm would be classified as:
A) a product cost that is fixed with respect to the company's output.
B) a period cost that is fixed with respect to the company's output.
C) a product cost that is variable with respect to the company's output.
D) a period cost that is variable with respect to the company's output.

Question 1 (continued)

- 1.7 When manufacturing overhead is applied to production, it is added to:
- the Cost of Goods Sold account.
 - the Raw Materials account.
 - the Work in Process account.
 - the Finished Goods inventory account.
- 1.8 On the Schedule of Cost of Goods Manufactured, the final Cost of Goods Manufactured figure represents:
- the amount of cost charged to Work in Process during the period.
 - the amount of cost transferred from Finished Goods to Cost of Goods Sold during the period.
 - the amount of cost placed into production during the period.
 - the amount of cost of goods completed during the current year whether they were started before or during the current year.
- 1.9 Over applied overhead means that:
- the applied overhead cost was less than the actual overhead cost.
 - the applied overhead cost was greater than the actual overhead cost.
 - the estimated overhead cost was less than the actual overhead cost.
 - the estimated overhead cost was less than the applied overhead cost.
- 1.10 When preparing a production budget, the required production equals:
- budgeted sales + beginning inventory + desired ending inventory.
 - budgeted sales - beginning inventory + desired ending inventory.
 - budgeted sales - beginning inventory - desired ending inventory.
 - budgeted sales + beginning inventory - desired ending inventory.

(10 marks)**Question 2****(10 marks)**

Shadrack is an employee of Lutani Ltd. The following information was presented to you, so that you can help process it for the company:

- | | |
|-------------------------|--|
| ▪ Number of weeks | 52 |
| ▪ Holidays | 3 weeks |
| ▪ Public holidays | 6 days |
| ▪ Sick leave | 5 days |
| ▪ Idle time | 10 % |
| ▪ Normal pay | R 120 000 per year |
| ▪ Pension fund | 15 % in total - ratio of 60:40, Employee:Employer. |
| ▪ Medical Aid fund | 10 % in total – ratio is same as for pension fund. |
| ▪ Holiday bonus | 1/12 of normal pay. |
| ▪ Normal hours per week | 45 hours (9 hours per day) |

Question 2 (continued)**Required:**

Calculate the labour recovery rate (tariff) per hour.

(10 marks)

Question 3

(10 marks)

The following information applies to Mr Radebe, an employee at a manufacturing enterprise. He is paid on a weekly basis.

Normal hourly wages R60

All the employees work 6 days, 45 hours per week as follows:

Monday – Friday : 8 hours per day

Saturday : 5 hours

Normal overtime = Normal rate plus 50%

Sundays and public holidays = Double the normal rate

DEDUCTIONS:**Pension fund**

Employee's contribution 8% of normal time wage

Employer's contribution 16% of normal time wage

Medical fund

Employees contribution 5% of normal time wage

Employer's contribution 10% of normal time wage

Taxation : 18% of taxable income

Union fees R15 per week

Transport allowance R90 per week

UIF : Employee 1%

Employer 1%

Mr Radebe worked the following hours for the past week:

Mon	Tues	Wed	Thurs	Fri	Sat	Sun
8	10	8	6 (Public Holiday)	9	7	5

Required:

Calculate the net wage for Mr Radebe for the week.

(10 marks)

Question 4

(10 marks)

Bubbles Wholesalers sells candles to retailers at a price of R6.50 per unit.

The following candles inventory ledger card has been prepared for July. Unfortunately the stores clerk did not enter all the relevant information.

Required:

- (A) Complete the inventory card using the **WEIGHTED AVERAGE METHOD** of inventory valuation.

(Only write down the letter with the correct amount next to it on your answer book. Do **NOT** draw up a inventory ledger card!)

Date	RECEIPTS			SALES			BALANCE		
	Units	Unit price	Total	Units	Unit price	Total	Units	Unit price	Total
July 1	Balance						100	(a)	R200
4	(b)	(c)	R600				300	(d)	(e)
9	(50)	R2	(R100)				(f)	(g)	R700
16				220	?	R616	(h)	?	(i)
21				(j)	?	(R168)	90	R1,80	R252
29	150	(k)	R480				(l)	(m)	(n)

(7 marks)

- (B) Determine the Total Sales amount, Cost of Sales amount as well as the Gross Profit for candles sold during July.

(Present your answer in the format as set out below)

SALES	R.....
Less COST OF SALES	R.....
GROSS PROFIT	<div style="border: 1px solid black; display: inline-block; width: 80px; height: 20px; vertical-align: middle;"></div>

(3 marks)

(10 marks)

Question 5

(10 marks)

The management accountant of The Carrington Hotel provides the following occupancy figures for the holiday period that extends from June to December of each year (both inclusive) :

Month	number of guests per month	mixed costs (R)
June	172	139 128
July	240	140 760
August	180	139 320
September	215	140 160
October	315	142 560
November	475	146 400
December	520	147 480

Required:

Calculate the fixed and variable cost component (for each month) of mixed costs by using the **high-low method**. (10 marks)

Question 6

(20 marks)

Bogey Manufacturing has supplied the following information:

Marginal profit or loss statement for the year ended 31 December 2017

	R (‘000)
Sales (300 000 units @ R80 each)	24 000
Variable costs of goods sold (300 000 @ R48)	14 400
Manufacturing profit	9 600
Variable selling costs (300 000 @ R4.80)	1 440
Marginal income	8 160
Fixed costs	3 536
Manufacturing costs	2 160
Selling cost	500
Administration Costs	876
Net profit	4 624

Required:

- 6.1 Calculate the enterprise's break-even quantity in units and the sales value for 2017. (7 marks)
- 6.2 What is the enterprise's safety margin (Rand value) based on the income statement as it stands? (3 marks)
- 6.3 Calculate the break-even point in units and Rand value for 2018 if the fixed cost of the enterprise increases by R384 000 and the variable costs decrease by R0,80 cents per unit.

(10 marks)

(20 marks)

Question 7

(30 marks)

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

	October R	November R	December R
Sales (60% cash)	1 000 000	1 200 000	1 300 000
Purchases (20% cash)	500 000	550 000	600 000
Salaries and wages	160 000	160 000	320 000
Overhead expenses	120 000	130 000	120 000

Additional information:

- The opening bank balance on 1 October 2017 is expected to be an overdraft of R45 000.
- 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 irrecoverable.
- Credit sales were R950 000 in August and R1 000 000 in September 2017.
- Credit purchases are paid in the month following purchase less a 2% settlement discount.
- Creditors for purchases at 1 October 2017 are:
for September purchases R410 000.
- Overhead expenses include a monthly depreciation charge of R25 000. Overhead expenses are paid in the month following the month in which they are incurred.
- Creditors for overhead expenses at 1 October 2017 are:
for September overheads: R100 000.
- A provisional tax payment of R75 000 must be made at the end of December 2017.
- A new machine will be bought in October 2017 for R500 000. A deposit of R100 000 will be paid in October. Monthly instalments of R12 500 must be paid for 36 months from the end of October 2017.
- A dividend of R15 000 from shares in another company will be received in December 2017.

Required:

Prepare a cash budget for October, November and December 2017.

(30 marks)

[100 marks]

END OF PAPER