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Accountancy@UJ



COST AND MANAGEMENT ACCOUNTING 2B

CMA02B2/BSR2B01/FNM02B2

Surname:

Initial(s):

Module code:

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Q1

Q2

Q3

Q4

Q5

Q6

Total Mark

Percentage

SUPPLEMENTARY LAST ASSESSMENT OPPORTUNITY 2019

Assessors: Ms W Mabuto
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Moderator: Ms M McGill

SECTION	TOPIC	MARKS	TIME
	Reading Time		10 minutes
A	Multiple Choice Questions	30	36 minutes
B	Short Questions	20	24 minutes
C	Scenario Question	<u>50</u>	<u>60 minutes</u>
		<u>100</u>	<u>130 minutes</u>

WARNING

A candidate shall violate the regulations governing assessments if:

- He/she be found in possession of any script, note, memorandum or piece of paper other than those assessment scripts or scripts provided by the invigilator
- He/she be caught in the act of assisting or attempting to assist another candidate or attempting to solicit or receive assistance from another candidate, or of attempting in whatever way to contact another candidate.
- In any way trying to use unauthorised assessment aids (e.g. notes written on your person)

The Student's Disciplinary Committee of the University shall after having found a candidate guilty of any of the above-mentioned violations and after having banned the candidate from the assessment concerned, use its sole discretion further to deal with such candidate.

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INSTRUCTIONS:

- Fill in your Name, Surname and Student Number on the cover page and your student number on each subsequent page.
- You are allowed 10 minutes reading time **before the assessment begins** during which you should read the question paper and, if you wish, highlight and/or make notes on the question paper. However, you will **not** be allowed, **under any circumstances**, to start writing or use your calculator during this reading time.
- This book consists of 28 pages (including cover page and appendix)
- An appendix is provided at the back of the book for space to do your Section A calculations. Please note that your workings for Section A will **NOT** be marked.
- Answer ALL questions in the spaces provided in **THIS book**.
- Silent, non-programmable calculators may be used, unless otherwise instructed.
- Answers with Tippex will **not** be marked.
- Answers in pencil will **not** be marked.
- Round all answers to TWO decimal places

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SECTION A

[30 MARKS]

REQUIRED:

Answer the following questions in this section by choosing the correct answer. Please indicate **clearly** the **letter** you have chosen in the dashed box provided next to each question header.

All workings to this section to be done in the appendix.

Question 1.1

(1)

Identify which ONE of the following statements is true.

--

- A** Indirect costs can be identified specifically with a given cost object in an economically feasible way.
- B** Direct costs cannot be identified specifically with a given cost object in an economically feasible way.
- C** Managers prefer to classify costs as indirect rather than direct.
- D** A cost may be simultaneously direct and indirect to different cost objects.

Question 1.2

(1)

The breakeven point may be defined as the number of units a company must sell to

--

- A** generate a zero profit.
- B** generate a net loss.
- C** earn more net income than the previous accounting period.
- D** generate a net income.

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Question 1.3

(1)

Assume that machine hours are the cost driver for overhead.

The difference between the actual variable overhead incurred and the applied variable overhead is the:

--

- A** volume variance.
- B** net overhead variance.
- C** efficiency variance.
- D** sum of the spending and efficiency variances.

Question 1.4

(1)

Sanza is the manager of the product development division at Fiao (Pty) Ltd. He has been invited to a company lunch with several colleagues which will take place the following Friday. He is also expected to prepare a quarterly financial performance report on his division due next Friday.

--

A colleague remarks to Sanza while they discuss if Sanza should attend the lunch, "You are not one to refuse a free lunch! You should go." Sanza responds by saying, "In this case, I'll have to pass as I will not be finished with my report in time."

Identify which cost concept best applies to Sanza's response.

- A** Sunk cost.
- B** Opportunity cost.
- C** Period cost.
- D** Fixed cost.

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Question 1.5

(1)

Identify which ONE of the following statements is TRUE, if the variable cost per unit increases while the sales price per unit and total fixed cost remain constant, then the...

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- A** breakeven point in units increases.
- B** breakeven point in units decreases.
- C** breakeven point in units remains the same.
- D** contribution margin ratio increases.

Question 1.6

(1)

The primary objective of management accounting is:

--

- A** to provide shareholders and potential investors with useful information for decision making.
- B** to provide banks and other creditors with information useful in making credit decisions.
- C** to provide management with information useful for planning and control of operations.
- D** to provide the relevant taxation authorities with information about taxable income.

Question 1.7

(1)

As the volume of activity increases within the relevant range, the variable cost per unit

--

- A** decreases.
- B** decreases at first, then increases.
- C** remains the same.
- D** increases.

Question 1.8

(1)

Mixed costs contain both

--

- A** product and period costs.
- B** fixed and variable costs.
- C** direct and indirect costs.
- D** controllable and uncontrollable costs.

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Question 1.9

(1)

Which of the following costs would be included as part of manufacturing overhead costs?

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- A** depreciation of plant equipment.
- B** paint used for product finish.
- C** depreciation on the corporation's office building.
- D** paper used in the production of books.

Question 1.10

(1)

More accurate product costing information is produced by assigning costs using

--

- A** volume-based, plantwide rates.
- B** volume-based, departmental rates.
- C** activity-based pool rates.
- D** All of the above produce accurate product costing information.

(2)

Question 1.11

BLISS Restaurant has experienced the following costs and number of meals served from January to September 2017:

--

Month	Mixed cost (R)	Meals served
January	35 975	8 500
February	34 400	8 000
March	36 920	8 800
April	38 280	9 200
May	38 615	9 458
June	34 700	8 200
July	36 344	8 695
August	38 516	9 313
September	40 218	9 983

The variable cost per meal served is:

- A** R2.93 per meal.
- B** R0.34 per meal.
- C** R2.89 per meal.
- D** R0.47 per meal.

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Question 1.12

(2)

CELL B, charges R50 per month and R1 per minute per call.

The minutes used when the current bill is R250 are:

--

- A 250 minutes.
- B 100 minutes.
- C 200 minutes.
- D 150 minutes.

Question 1.13

(2)

Fashion First sells hand-sewn shirts for R250 per shirt, and has fixed costs of R75 000. Their contribution margin ratio is 20%.

The company's variable cost per shirt is

--

- A R200
- B R80
- C R150
- D R50

Question 1.14

(2)

Edco Company produced and sold 45 000 units of a single product last year, with the following results:

--

	R
Sales revenue	1 350 000
<u>Manufacturing cost</u>	
Variable	585 000
Fixed	270 000
<u>Selling cost</u>	
Variable	40 500
Fixed	54 000
<u>Administrative cost</u>	
Variable	184 500
Fixed	108 000

The company's contribution margin is

- A R765 000
- B R724 500
- C R540 000
- D R495 000

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Question 1.15

(2)

Dakota Company provides the following information about its single product:

Targeted operating income	R40 000
Selling price per unit	R3.50
Variable cost per unit	R1.05
Total fixed costs	R90 000

--

The contribution margin ratio is

- A 0.70
- B 0.44
- C 0.56
- D 0.30

Question 1.16

(2)

DoodleBox applies overheads on a direct labour hour basis. They have budgeted 2 500 labour hours with budgeted overheads of R56 000. Actual results were 2 350 labour hours with actual overheads of R54 050.

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The overheads are:

- A R1 410 under applied
- B R1 000 over applied.
- C R1 410 over applied.
- D R1 000 under applied

(2)

Question 1.17

Mali (Pty) Ltd produces two products using the same manufacturing equipment. Information about the two products is as follows:

--

	<u>Tim</u>	<u>Baktu</u>
Sales	R15	R35
Variable costs	R5	R10
Machine hours required	0.5	2.0
Demand (units)	30 000	10 000
Demand (machine hours)	15 000	20 000

If Mali can produce only one of the products in the next period, which product should be produced?

- A Tim should be produced because it requires less machine hours.
- B Baktu should be produced because it generates more revenue.
- C Baktu should be produced because it generates more contribution margin per unit.
- D none of the above.

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Question 1.18

(2)

Bamako (Pty) Ltd has only 4 000 machine hours available each month. The following information on the company's three products is available:

--

	Product AA	Product BB	Product CC
Contribution margin per unit	R10	R13	R5
Machine hours per unit	2	1.5	0.5

If demand exceeds the available capacity, in what sequence should orders be filled to maximise the company's profits?

- A** Product AA first, Product BB second, and Product CC third.
- B** Product BB first, Product AA second, and Product CC third.
- C** Product CC first, Product BB second, and Product AA third.
- D** Product CC first, Product AA second, and Product BB third.

Question 1.19

(2)

BookerT (Pty) Ltd manufactures books. Manufacturing a book takes 10 units of A1 and 1 unit of A2. Scheduled production of books for the next two months is 1 000 and 1 200 units, respectively. Beginning inventory is 4 000 units of A1 and 30 units of A2. The ending inventory of A1 is planned to decrease 500 units in each of the next two months, and the A2 inventory is expected to increase 5 units in each of the next two months.

--

How many units of A1 does the company expect to use in production during the second month?

- A** 10 000 units.
- B** 10 750 units.
- C** 12 000 units.
- D** 12 500 units.

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Question 1.20

(2)

During October, 16 000 direct labour hours were worked at a standard cost of R6 per hour. If the labour rate variance for October was R4 000 unfavourable, the actual cost per labour hour must be

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- A** R6.25.
- B** R6.00.
- C** R5.75.
- D** None of the above.

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SECTION B

[20 marks]

QUESTION 2

(7 marks)

You have been provided with the following budgeted information for two departments:

	Department A	Department B
Budgeted overheads	R120 000	R340 000
Budgeted absorption rates	R12 per labour hour	R17 per machine hour

Your manager is busy compiling his yearly financial report and would like to know whether overheads were over/under applied in each department. He explained to you that there will be no over/under applied overheads in Department A as actual overheads and budgeted overheads was the same.

You have collected the following data:

	Department A	Department B
Actual overheads	R120 000	R320 000
Actual labour hours worked	11 000 hrs	2 500 hrs
Actual machine hours worked	1 500 hrs	18 500 hrs

REQUIRED:

- 2.1** Calculate the appropriate over/under applied overheads per department and comment **(7)** on the statement made by your manager.

Q2 MARK

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QUESTION 3

(8 marks)

You have visited your grandmother who seems to be in distress over her cellular phone bill that she does not seem to understand. She signed up for a promotion with CellV that offered her a free handset.

She has also mentioned that they mentioned a fixed monthly fee but she cannot remember it. Below is a schedule of the bills that she has received in the past few months.

MONTH	TOTAL BILL	MINUTES ON BILL
April 2018	R341.55	245 minutes
May 2018	R305.91	209 minutes
June 2018	R349.47	253 minutes
July 2018	R363.33	267 minutes

REQUIRED:

3.1 Identify the cost behaviour of the cellular phone bill.

(1)

3.2 Explain to your grandmother how her bill is calculated. Use calculations in support of your explanation. **(7)**

[illegible][illegible]

Q3 MARK
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[illegible]

(5 marks)

The accountant has prepared the following projected income statement based on the sales forecast:

REQUIRED:

- [illegible]

[illegible][illegible]

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SECTION C

[50 marks]

QUESTION 5

(25 marks)

Angel Furniture (Pty) Ltd manufactures three products: baby cots, feeding chairs and toddler beds. The company is currently under financial pressure and is considering dropping the toddler beds product line, in hope of improving the company's overall operating performance.

The company's three products are manufactured in the same factory and occupy roughly equal amounts of floor space. The factory space currently being used to produce the toddler beds would otherwise be idle. The equipment being used to produce toddler beds has no resale value.

Below is the company's income statement for the year ended, July 2018:

	IN TOTAL (all three products) R	Toddler beds R
Sales	2 900 000	315 000
Cost of sales:		
Materials used	515 000	133 850
Direct labour	1 305 000	72 000
Royalties (1% of toddler beds' sales)	3 500	3 150
Building rent	6 000	4 000
Depreciation (straight line)	75 200	19 100
Electrical power – machines	29 300	3 600
Gross margin	<u>966 000</u>	<u>79 300</u>
Sales commissions (5% of sales)	145 000	15 750
Salaries (Note 1)	45 500	15 800
Delivery cost	81 225	9 350
Advertising	<u>227 000</u>	<u>39 300</u>
Net operating income (loss)	<u>467 275</u>	<u>(900)</u>

Inventories carried by the company are small and can be ignored. Each element of cost is entirely fixed or entirely variable within the relevant range. The dropping of the toddler beds product line would have no effect on sales of the other two product lines.

Note 1: The salary cost included on the income statement represents the salary of the general manager.

[illegible]

REQUIRED:

5.1 Prepare the income statement for the **toddler beds product line** using the variable costing method. **(12)**

[illegible]

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- 5.2** Calculate the break-even point (in sales value) for the toddler beds product line, given the cost and revenue data shown above, before a decision is made on whether the product should be dropped or not. **(6)**

- 5.3** Discuss whether the toddler beds product line should be dropped or not. **(10)**
Show all calculations.

[illegible][illegible]

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QUESTION 6

(25 marks)

Titan (Pty) Ltd manufactures 2 types of snake cages, the “Plain” and the “Deluxe” cage. Both of these cages are made of one component – Oak wood.

The standard direct labour hours per unit of production and budgeted production quantities for the quarter ended December 2016 were:

Product	Standard direct hours	Budgeted production quantities
Plain	0.40 hours	36 000 cages
Deluxe	0.56 hours	22 000 cages

The standard wage rate for all assembly workers was R5 per hour. Throughout the quarter (12 weeks), 53 assembly workers were employed, working a standard 40 hour week.

The standard manufacturing overhead cost per cage is based on direct labour hours and is as follows:

- Variable overhead: R24 per direct labour hour
- Fixed overhead: R157 500 in total

The actual information for the quarter is as follows:

Production: Plain cage	35 000 units
Production: Deluxe cage	25 000 units
Direct wages paid	R138 500
Material (Oak) purchased	47 000kg for a total cost of R85 110
Material (Oak) price variance	R430 Favourable
Material (Oak) usage (Plain cage)	33 426 kg
Material (Oak) usage variance (Plain cage)	R320.32 Unfavourable
Variable overhead cost	R605 800
Fixed overhead cost	R112 500

[illegible]

REQUIRED:

[illegible]

[illegible][illegible]

[illegible][illegible]

[illegible]

(2)

[illegible]

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[illegible]

NOTE: NO MARKS ARE AWARDED FOR WORKINGS

[illegible]

[illegible][illegible]

[illegible][illegible]

[illegible][illegible]