



<b>FACULTY/COLLEGE</b>	College of Business and Economics
<b>SCHOOL</b>	School of Management
<b>DEPARTMENT</b>	Business Management CEP's
<b>CAMPUS</b>	APB
<b>MODULE NAME</b>	Management Accounting
<b>MODULE CODE</b>	AC1MACC
<b>SEMESTER</b>	First
<b>ASSESSMENT OPPORTUNITY, MONTH AND YEAR</b>	Supplementary Summative Assessment July 2020

<b>ASSESSMENT DATE</b>	6 July 2020	<b>SESSION</b>	Online
<b>ASSESSOR</b>	Mr NT Strydom		
<b>MODERATOR</b>	Mr SR de Wet		
<b>DURATION</b>	2 hours	<b>TOTAL MARKS</b>	100

<b>NUMBER OF PAGES OF QUESTION PAPER (Including cover page)</b>	11
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#### INFORMATION/INSTRUCTIONS:

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- This is an open-book assessment.
  - All questions should be answered using your own words and own examples. Do not simply copy from the textbook or other sources.
  - You may use your module notes, but you may not ask any other person for assistance either personally, through social media or any other form of communication.
  - All answers are checked for similarity (i.e. plagiarism) using SafeAssign on Blackboard. If it is found that your work is too similar to the study guide, other sources or any of your peers, it constitutes academic dishonesty and could lead to a disciplinary hearing.
  - Please answer all questions on Blackboard:
    - Answer **Section A** on the Blackboard test named "Supp – Section A".
    - Answer **Section B** on the Blackboard test named "Supp – Section B".
  - Where you are required to provide longer answers, please structure your answers clearly with relevant headings, and use full sentences.
  - The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.
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**SECTION A: CAPITAL BUDGETING AND COSTING****[30 MARKS]**

**[NOTE: Please answer all questions for Section A on the Blackboard assessment named "Supp – Section A"]**

**QUESTION 1****[2 MARKS]**

Which of the following would be classified as direct material for a furniture manufacturer?

- A. Wood glue
- B. Sand paper
- C. Wood cleaner
- D. None of the answers are correct

**QUESTION 2****[2 MARKS]**

The following information for June 2020 is presented to you by your team leader: Sales = R60 000, Cost of Sales = R35 000, Wages = R12 000, Office Rent = R3 000, Telephone Bill = R500. What is the Net Profit of the company for the month?

- A. R9 500
- B. R25 000
- C. R44 500
- D. None of the answers are correct.

**QUESTION 3****[2 MARKS]**

You have recently purchased a guitar to busk (sing songs) on campus for extra money. The cost of the guitar was R2 500. You anticipate revenue of R450 per semester. By when will you recover your investment in the guitar?

- A. 2<sup>nd</sup> semester of 2<sup>nd</sup> year
- B. 2<sup>nd</sup> semester of 3<sup>rd</sup> year
- C. After 5.5 years
- D. None of the answers are correct

**QUESTION 4****[2 MARKS]**

You have been placed in charge of a new investment that promises the following projected cash flows. The company's required rate of return is 13.5% per annum.

<u>Year</u>	<u>Cash Flow</u>
0	-R35 000
1	R20 500
2	R15 600
3	R12 700

How will the IRR influence your decision to invest?

[Hint: calculate IRR before answering]

- A. The project should be accepted, because the IRR is positive.
- B. The project should be accepted because the IRR is higher than the required rate of return.
- C. The project should be rejected because the IRR is higher than the required rate of return.
- D. None of the answers are correct.

**QUESTION 5****[2 MARKS]**

You are the financial manager of a large biscuit company. You have been tasked with advising on the investment into two new baking machines. Both machines are expected to last 4 years. Both machines can make the same cookies. You are presented with the following information:

	<u>Project A</u>	<u>Project B</u>
Net present value	R15 000	R14 000
Payback period	3.5 years	2.7 years

Taking into account the information above, your recommendation should be to accept...

- A. project B because it has the shortest payback period.
- B. both projects as they both have payback periods shorter than the expected duration of the project.
- C. project A and reject project B based on their net present values.
- D. None of the answers are correct

**QUESTION 6****[10 MARKS]**

As the Management Accounting of Cookies Unlimited, you have been tasked with presenting an analysis of the planned factory expansion to the management team of the business. The expansion involves the purchase of new baking equipment to make new types of cookies. Two options are available to the business.

Cookies Unlimited has access to R120 000 in capital to pursue the expansion. 60% of the business is funded through shares and 40% through debt. The cost of equity is 24%, and the after-tax cost of debt is 13.5%.

	<b>Choc-Chip Baker</b>	<b>Shortbread Whizz</b>
Year 0	(R26 000)	(R29 000)
Year 1	R2 500	R22 000
Year 2	R5 000	R24 000
Year 3	R26 700	R2 000
Year 4	R21 100	R1 000
NPV	???	R7 735
IRR	???	39.83%

- (a) Calculate the Weighted Average Cost of Capital (WACC). [3]
- (b) What is the NPV for the Choc-Chip Baker? [2]
- (c) What is the IRR for Shortbread Whizz? [3]
- (d) What would your recommendation be to the management team?  
Motivate your answer. [2]

**QUESTION 7****[10 MARKS]**

In manufacturing the latest model of their mountain bike, Bikes R Us incurred the following costs in April 2020.

Purchase of aluminium and other materials	R35 000
Direct labour cost	R23 000
Manufacturing overheads:	
Indirect material	R9 000
Indirect labour	R4 700
Depreciation	R9 600
Insurance	R8 500

Not all of the current month's stock and raw materials were sold in the current month, resulting the following stock levels.

	Opening stock	Closing stock
Raw materials	7 700	9 700
Work-in-progress	11 000	14 000
Finished goods	22 000	29 000

- (a) Calculate the raw materials used in production. [4]
- (b) Calculate the total manufacturing cost. [3]
- (c) Calculate the cost of goods manufactured. [3]

**SECTION B: FINANCIAL STATEMENT ANALYSIS****[70 MARKS]**

**[NOTE: Please answer all questions for Section B on the Blackboard assessment named “Supp – Section B”]**

In light of the struggling economy, the management team of Jozi General Retailers has decided to embark on a fact-finding mission, to better understand their business and its inefficiencies. Jozi General Retailers prides themselves on the quality of their products. They also offer all customers credit facilities, and sell exclusively on credit. The CFO has asked you to perform a financial statement analysis on the information given below.

<b>Statement of Comprehensive Income for the year ending 28 February 2020</b>	<b>2020</b>	<b>2019</b>
Sales	R7 600 000	R7 900 000
Cost of goods sold	R5 600 000	R5 500 000
Gross profit	R2 000 000	R2 400 000
Other income	R11 000	R13 000
Total income	R2 011 000	R2 413 000
Expenses	-R557 000	-R907 000
Depreciation and amortisation	-R99 000	-R99 000
Occupancy cost	-R209 000	-R211 000
Employment cost	-R194 000	-R510 000
Other costs	-R55 000	-R87 000
Operating profit	R1 454 000	R1 506 000
Profit/(loss) on disposal of PPE	R11 500	R4 800
Profit before financing cost	R1 465 500	R1 510 800
Financing cost	-R61 000	-R49 000
Profit before taxation	R1 404 500	R1 461 800
Income tax	-R393 260	-R409 304
Profit for the year	R1 011 240	R1 052 496
Earnings per share (cents)	45.97	47.84
Number of shares	2 200 000	2 200 000
Share price (average for year) (R)	1.03	1.12

**Note 1:** The total credit purchases for 2020 equalled approximately 7 times the amount of accounts payable. For 2019, it equalled approximately 9 times the amount of accounts payable.

<b>Statement of Financial Position at 28 February 2020</b>		<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>	R	11 973 000	R 12 191 000
Property, plant and equipment	R	8 500 000	R 8 600 000
Intangible assets	R	798 000	R 751 000
Goodwill	R	2 435 000	R 2 550 000
Loans receivable	R	195 000	R 225 000
Financial assets at fair value	R	45 000	R 65 000
<b><u>Current assets</u></b>	R	3 045 000	R 2 754 000
Inventories	R	150 000	R 350 000
Trade and other receivables	R	150 000	R 450 000
Cash and cash equivalents	R	2 745 000	R 1 954 000
<b>TOTAL ASSETS</b>	R	15 018 000	R 14 945 000
<b>EQUITY AND LIABILITIES</b>			
<b><u>Equity</u></b>	R	11 375 500	R 10 335 000
Share capital	R	7 500 000	R 7 500 000
Share premium	R	2 225 000	R 1 350 000
Retained earnings	R	1 650 500	R 1 485 000
<b><u>Non-current liabilities</u></b>	R	2 991 500	R 3 828 000
Long-term debt	R	2 571 500	R 3 378 000
Other long-term liabilities	R	420 000	R 450 000
<b><u>Current liabilities</u></b>	R	651 000	R 782 000
Trade and other payables	R	290 000	R 450 000
Income tax payable	R	105 000	R 107 000
Current portion of long-term debt	R	256 000	R 225 000
<b>Total liabilities</b>	R	3 642 500	R 4 610 000
<b>TOTAL EQUITY AND LIABILITIES</b>	R	15 018 000	R 14 945 000

Ratio	2020	2019
Current Ratio	4.68	??
Quick Ratio	4.45	??
Total Debt / Total Assets	24.25%	??
Debt / Equity Ratio	26.30%	??
Interest Cover	16.58 times	??
Inventory Turnover	37.33 times	??
Debtors Collection Period	7.20 days	??
Creditors Settlement Period	52.14 days	??
Gross Profit Margin	26.32%	??
Net Profit Margin	13.31%	??
Earnings Yield	0.45	??
P/E Ratio	2.24	??

**QUESTION 1****[3 MARKS]**

What is the Current Ratio for 2019?

- A. 3.52
- B. 0.28
- C. 4.71
- D. None of the answers are correct.

**QUESTION 2****[3 MARKS]**

What is the Quick Ratio for 2019?

- A. 0.32
- B. 3.98
- C. 3.07
- D. None of the answers are correct.

**QUESTION 3****[3 MARKS]**

What is the Total Debt / Total Assets Ratio for 2019?

- A. 30.85%
- B. 37.04%
- C. 29.10%
- D. None of the answers are correct.



**QUESTION 4****[3 MARKS]**

What is the Debt / Equity Ratio for 2019?

- A. 37.04%
- B. 29.35%
- C. 55.12%
- D. None of the answers are correct.

**QUESTION 5****[3 MARKS]**

What is the Interest Cover for 2019?

- A. 15.60 times
- B. 12.84 times
- C. 21.48 times
- D. None of the answers are correct.

**QUESTION 6****[3 MARKS]**

What is the Inventory Turnover Ratio for 2019?

- A. 12.15 times
- B. 15.71 times
- C. 21.62 times
- D. None of the answers are correct.

**QUESTION 7****[4 MARKS]**

What is the Debtors Collection Period for 2019?

- A. 9.21 days
- B. 20.79 days
- C. 16.53 days
- D. None of the answers are correct.

**QUESTION 8****[4 MARKS]**

What is the Creditors Settlement Period for 2019?

- A. 40.56 days
- B. 65.75 days
- C. 120 days
- D. None of the answers are correct.

**QUESTION 9****[3 MARKS]**

What is the Gross Profit Margin for 2019?

- A. 26.32%
- B. 35.66%
- C. 30.38%
- D. None of the answers are correct.

**QUESTION 10****[3 MARKS]**

What is the Net Profit Margin for 2019?

- A. 13.32%
- B. 15.85%
- C. 21.60%
- D. None of the answers are correct.

**QUESTION 11****[4 MARKS]**

What is the Earnings Yield for 2019?

- A. 0.43
- B. 0.55
- C. 1.15
- D. None of the answers are correct.

**QUESTION 12****[4 MARKS]**

What is the P/E Ratio for 2019?

- A. 2.99
- B. 2.34
- C. 0.65
- D. None of the answers are correct.

**QUESTION 13****[30 MARKS]**

For each ratio below, please provide a short explanation or interpretation of the ratio. This interpretation should be based on the general norms of ratio analysis, as well as comparison between 2020 and 2019. Please use full sentences to explain the relevance of the ratio to the management team.

- |                                |     |
|--------------------------------|-----|
| 1. Current Ratio               | [3] |
| 2. Quick Ratio                 | [3] |
| 3. Total Debt / Total Assets   | [2] |
| 4. Debt / Equity Ratio         | [2] |
| 5. Interest Cover              | [2] |
| 6. Inventory Turnover          | [2] |
| 7. Debtors Collection Period   | [3] |
| 8. Creditors Settlement Period | [3] |
| 9. Gross Profit Margin         | [2] |
| 10. Net Profit Margin          | [2] |
| 11. Earnings Yield             | [3] |
| 12. P/E Ratio                  | [3] |