



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Management
DEPARTMENT	Business Management CEP's
CAMPUS	APB
MODULE NAME	Applied Accountancy 1B
MODULE CODE	ADBA01B
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Supplementary Summative Assessment January 2022

ASSESSMENT DATE	January 2022	SESSION	1
ASSESSOR	Mr M Booyens		
MODERATOR	Mr JH Human		
DURATION	2 hours	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	6
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INFORMATION/INSTRUCTIONS:

- This is a closed-book assessment.
 - Question papers must be handed in together with your answer books.
 - Read the questions carefully and answer only what is asked.
 - Answer all the questions:
 - Number your answers clearly.
 - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
 - Structure your answers by using appropriate headings and subheadings.
 - The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.
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QUESTION 1**[20 marks]****REQUIRED:**

Select the correct option and write the the appropriate letter on your answer sheet.

1.1 The JSE Limited is an example of a ...

- A primary market only.
- B secondary market only.
- C primary and secondary market.
- D money market. **(2)**

1.2 Prime cost can be defined as the ...

- A total cost of manufacturing a product.
- B cost of the first stage of the manufacture of a product.
- C total operating cost of the production department where the product is made.
- D total direct cost of manufacturing a product. **(2)**

1.3 Which ONE of the following is the correct sequence of events in costing overheads to products?

- (i) Re-apportion service department costs to production departments.
 - (ii) Charge costs directly to departments where appropriate.
 - (iii) Apportion common fixed costs over departments.
 - (iv) Absorb overheads into products.
- A (ii), (iii), (i), then (iv)
 - B (i), (iii), (iv), then (ii)
 - C (i), (ii), (iii), then (iv)
 - D (ii), (i), (iv), then (iii) **(2)**

1.4 An example of a semi-variable cost would be ...

- A the cost of material to be used for production.
- B the salaries of supervisors in a department.
- C power and lighting costs.
- D the costs of insuring assets. **(2)**

1.5 The agency problem refers to ...

- A inefficient marketing agencies.
- B managers who do not focus on wealth creation in the way that shareholders would.
- C industrial espionage.
- D hiring the correct manager to represent the shareholders. **(2)**

1.6 The financial goal of the firm is to ...

- A maximise return.
- B optimise solvency.
- C maximize shareholder's wealth.
- D keep the amount of tax to be paid as low as possible. **(2)**

1.7 The monthly rent paid per month on a building can be regarded as ...

- A direct cost.
- B indirect cost.
- C variable cost.
- D None of the above **(2)**

1.8 The average age of inventory can be calculated as ...

- A $[(\text{Inventory} \div \text{Cost of sales}) \times 365]$.
- B $[\text{Cost of sales} \div (\text{Inventory} \div 365)]$.
- C $[(\text{Inventory} \div 365) \times \text{Cost of sales}]$.
- D None of the above **(2)**

Refer to the following information and answer questions 1.9 – 1.10:

The following information was prepared from the financial records of ABC Limited for the year ending 28 February 20.5:

Average age of inventory	94 days
Average collection period	52 days
Average payment period	39 days

1.9 The operating cycle of ABC Limited is ... days.

- A 13
- B 107
- C 146
- D 185 **(2)**

1.10 The cash conversion cycle of ABC Limited is ... days.

- A 13
- B 107
- C 146
- D 185

(2)

QUESTION 2

[20 marks]

The following information was extracted from the financial statements of NCD Ltd for the year ended 30 June 20.2:

Sales (30% for cash)	R1 700 000
Cost of goods sold	1 360 000
Purchases (all on credit)	965 000
Accounts receivable	125 000
Accounts payable	114 000
Inventory (1 July 20.1)	622 000

REQUIRED:

2.1 Calculate the following:

- (i) Average age of inventory (3)
- (ii) Average collection period (3)
- (ii) Average payments period (2)

2.2 Illustrate the cash conversion cycle (CCC) of NCD Ltd graphically. Ensure that the graphic representation includes at least details of the following:

- Average age of inventory (AAI)
- Average collection period (ACP)
- Average payments period (APP)
- Cash conversion cycle (CCC)
- Operating cycle (OC) (8)

2.3 How would you advise the management of NCD Ltd to improve their cash conversion cycle? Focus specifically on advice dealing with the accounts payable of the company. (4)

QUESTION 3**[30 marks]****PART A**

Morning Star Seniors Care Centre is a non-profit organisation that provides a variety of health services to the elderly. The centre is organised into a number of departments, one of which is the meals-on-wheels programme that delivers hot meals to seniors in their homes on a daily basis.

Below a number of costs of the centre and the meals-on-wheels programme are listed.

1. The cost of groceries used in meal preparation.
2. The cost of leasing the meals-on-wheels delivery vehicle.
3. The cost of incidental supplies such as salt, pepper, napkins, etc.
4. The cost of petrol consumed by the meals-on-wheels delivery vehicle.
5. The rent on the facility that houses Morning Star, including the meals-on-wheels programme.
6. The salary of the part-time manager of the meals-on-wheels programme.
7. Depreciation on the kitchen equipment used in the meals-on-wheels programme.
8. The hourly wages of the caregiver who drives the delivery vehicle and delivers the meals.

REQUIRED:

- 3.1 For each cost listed above, indicate whether it is a direct or indirect cost of the meals-on-wheels programme, and whether it is variable or fixed with respect to the number of seniors served.

Draw the table below and select the correct option by making a cross (✖) in the appropriate column on your answer sheet.

	Direct cost	Indirect cost	Variable	Fixed	
1					
2					
3					
4					
5					
6					
7					
8					

(16)

PART B

The changing competitive environment has resulted in a greater need for financial information provided by management accounting. This environment has made it necessary for companies to investigate strategies to create a competitive advantage.

REQUIRED:

- 3.2** List FOUR factors that have influenced the changes in the financial competitive environment. **(4)**

PART C

ModernChairs, a company started a year ago, manufactures designer chairs. Production takes place in three production departments – Sanding, Polishing and Finishing. Sanding and Finishing are highly automated, while Polishing is labour intensive.

The following information has been prepared by Lulu, the company's cost accountant:

	Sanding	Polishing	Finishing
	R	R	R
Indirect factory salaries and wages	46 290	119 483	197 340

Details of other manufacturing costs are:

Depreciation of machinery	1 250 000
Rent of factory	1 409 400
Heat and lighting	197 070
Canteen expenses	512 000

Additional information

	Sanding	Polishing	Finishing
Number of machine hours	420 000	79 200	211 500
Number of employees	120	140	60
Labour hours	300 000	240 000	210 000
Floor area occupied (m ²)	1 500	1 500	2 000
Value of machinery	R500 000	R60 000	R240 000

REQUIRED:

- 3.3** Complete the overhead analysis schedule below for ModernChairs by determining the letters **A- E** . **(5)**

- 3.4** Calculate suitable overhead recovery rates (to two decimal places, if applicable) for each cost centre. Give reasons for your choice of allocation base. **(5)**

	Basis	Sanding	Polishing	Finishing
1. Indirect labour	Direct	B	119 483	197 340
Depreciation	Value of machinery	781 250	93 750	E
Rent	A	422 820	C	563 760
Heat & lighting	Floor area	59 121	59 121	78 828
Canteen	Number of employees	192 000	D	96 000
		1 501 481	919 174	1 301 928

QUESTION 4**[20 marks]**

A recent survey of 41 UK manufacturing businesses found that 40 of the 41 prepared budgets.

SOURCE: Dugdale D., Jones C., Green S.(2005). Contemporary Management Accounting Practices in UK manufacturing. *CIMA Research Publication*, Vol. 1, No.13.

REQUIRED:

- 4.1** List any FIVE reasons why most businesses prepare budgets. **(5)**
- 4.2** Explain the advantages and disadvantages of flexible budgets. **(8)**

The following is the static/original budget and actual results of Yoga Inc. for the month of April 20X18.

	Actual	Static
Units	40 000	30 000
Revenue	236 000	180 000
Variable Costs:		
Material	76 000	60 000
Labor	63 200	45 000
Factory Overhead	34 000	24 000
Contribution Margin	62 800	51 000
Fixed Costs:		
Factory Overhead	12 880	12 000
Office Expenses	22 000	20 000
Operating Income	27 920	19 000

Management is pleased with income being higher than budgeted. However they understand that the significant increase in units sold renders the comparison of actual results and the static budget unfair.

You have prepared a flexible budget at actual level of output and calculated flexible budget variances. Your budget appears below.

	Actual	Flexed	Variance	
Units	40 000	40 000		
Revenue	236 000	240 000	A	U
Variable Costs:				
Material	76 000	80 000	-4 000	F
Labor	63 200	60 000	D	
Factory Overhead	34 000	B	2 000	E
Contribution Margin	62 800	68 000	-5 200	U
Fixed Costs:				
Factory Overhead	12 880	C	880	U
Office Expenses	22 000	20 000	2 000	U
Operating Income	27 920	36 000	-8 080	G

REQUIRED

- 4.3** Complete the table above by determining the letters **A – G** omitted. You need only write the letters with your answer on the answer sheet. **(7)**

QUESTION 5**[10 marks]**

Money can only be taken off an employee's salary if he agrees to it, or if the employer is legally obliged to do so. This is normally in the form of a collective agreement, a written agreement with the employee, legislation or a court.

(Section 34 of the Basic Conditions of Employment Act 75 of 1997) (BCEA)

REQUIRED

Briefly list and discuss five deductions an employer can legally make from an employee's remuneration.