

**UNIVERSITY OF SCIENCE AND TECHNOLOGY  
FACULTY OF COMMERCE  
BANKING DEPARTMENT  
BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING  
MANAGEMENT ACCOUNTING FOR BUSINESS II CAC 2207  
FINAL EXAMINATION AUGUST 2008**

**TIME 3 Hours**

**INSTRUCTIONS TO CANDIDATES**

Answer **any four** questions.

Begin a full question on a fresh page.

**INFORMATION FOR CANDIDATES**

The number of marks is given in brackets [ ] at the end of each question or part question.

All accounting statements are presented in good style. Workings should be shown.

You may use a calculator.

The businesses in this question paper are intended to be fictitious.

---

**This paper consists of 5 printed pages**

Copyright: Banking Department, National University of Science and Technology

## QUESTION 1

- (a) Give two components of prime cost. [2 marks]
- (b) Identify three examples of indirect costs. [3 marks]
- (c) Define 'value added' as used in costing. [2 marks]
- (d) Explain how managerial accounting differs from financial accounting. [18 marks]
- TOTAL [25 MARKS]**

## QUESTION 2

- (a) What is job order manufacturing? [2 marks]
- (b) The following information reflects Tifundza Manufacturing Company's job order manufacturing activities for May:

<b>Raw materials purchases</b>	<b>\$16,000</b>
<b>Factory payroll cost</b>	<b>15,400</b>
<b>Overhead costs incurred</b>	
<b>Indirect materials</b>	<b>5,000</b>
<b>Indirect labor</b>	<b>3,500</b>
<b>Other factory overhead</b>	<b>9,500</b>

The predetermined overhead rate is 150% of direct labor cost. These costs are allocated to the three jobs worked on during May as follows:

	<b>Job 401</b>	<b>Job 402</b>	<b>Job 403</b>
<b>Balances on April 30</b>			
Direct materials	\$3,600		
Direct labor	1,700		
Applied overhead	2,550		
<b>Costs during May</b>			
Direct materials	3,550	\$3,500	\$1,400
Direct labor	5,100	6,000	800
Applied overhead	?	?	?

Status on May 31      **Finished (sold) Finished (unsold) In Process**

**Required**

Determine the total cost of:

- (i) The April 30 inventory of jobs in process. [2 marks]
  - (ii) Materials used during May. [4 marks]
  - (iii) Labor used during May. [4 marks]
  - (iv) Factory overhead incurred and applied during May and the amount of any over- and underapplied overhead on May 31. [6 marks]
  - (v) Each job as of May 31, the May 31 inventories of both goods in process and finished goods, and the goods sold during May. [7 marks]
- TOTAL [25 MARKS]**

**QUESTION 3**

Sport Caps Co. manufactures and sells caps for different sporting events. The fixed costs of operating the company are \$150,000 per month, and variable costs for caps are \$5 per unit. The caps are sold for \$8 per unit. The fixed costs provide a production capacity of up to 100,000 caps per month.

**Required**

- (a) Use formulas to compute the following:
  - (i) Contribution margin per cap. [1 marks]
  - (ii) Break-even point in terms of the number of caps produced and sold. [2 marks]
  - (iii) Amount of net income at 30,000 caps sold per month (ignore taxes). [2 marks]
  - (iv) Amount of net income at 85,000 caps sold per month (ignore taxes). [2 marks]
  - (v) Number of caps to be produced and sold to provide \$45,000 of after-tax income, assuming an income tax rate of 25%. [3 marks]

(b) Draw the CVP chart for the company, showing cap output on the horizontal axis. Identify (i) the break-even point and (ii) the amount of pretax income when the level of cap production is 70,000. (Omit the fixed cost line.) [5 marks]

(c) Use the formulas to compute:

- (i) Contribution margin ratio. [2 marks]
- (ii) Break-even point in terms of sales dollars. [2 marks]
- (iii) Amount of net income at \$250,000 of sales per month (ignore taxes). [2 marks]
- (iv) Amount of net income at \$600,000 of sales per month (ignore taxes). [2 marks]
- (v) Dollars of sales needed to provide \$45,000 of after-tax income, assuming an income tax rate of 25%. [2 marks]

**TOTAL [25 MARKS]**

**QUESTION 4**

(a) What is meant by participatory budgeting? [2 marks]

(b) In preparing monthly budgets for the third quarter, a company budgeted sales of 120 units for July and 140 units for August. Management wants each month's inventory to be 60% of next month's sales. The June 30 inventory consists of 50 units. How many units of product for July acquisition should the merchandise purchases budget specify for the third quarter? [5 marks]

(c) Niblick supplies golf equipment. Ten percent of his sales are for cash; the remainder is on one month's credit. He receives one month's credit on all purchases. Sales and purchases are as follows:

	<b>Sales</b>	<b>Purchases</b>
	\$	\$
December 2007	30,000	16,000
January 2008	25,000	14,000
February	18,000	20,000
March	22,000	25,000



