NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
GRADUATE SCHOOL OF BUSINESS
Post Graduate Diploma In Management

MANAGEMENT ACCOUNTING – GBA 484
SUPPLEMENTARY EXAMINATION

DATE: **21 JULY 2005**

TIME ALLOWED: 3 HOURS + 30 MINUTES

Reading time is 30 minutes. Candidates are permitted to make notes on the question paper but not to write in the answer book during this period.

INSTRUCTIONS

1. Answer **Question 1** and any other **three (3) questions**.
2. The paper has **five (5) questions**.
3. Marks will be awarded for workings and good presentation.

Question 1 (40 marks).

From the following information which relates to Ndlovu and Shungu Ltd you are acquired to prepare a month by month cash budget for the second half of 2005 and to append such brief comments as you consider might be helpful to management.

(1) The company's only product, a calfskin vest, sells at $40 000 and has a variable cost of $26 000 made up as follows:

Material $20 000 Labour $4 000 Overhead $2 000

(2) Fixed costs of $6 000 000 per month are paid on the 28th of each month.

(3) Quantities sold/to be sold on credit

May	June	July	Aug	Sept	Oct	Nov	Dec
1000	1200	1400	1600	1800	2000	2200	2600

(4) Production Quantities

May	June	July	Aug	Sept	Oct	Nov	Dec
1200	1400	1600	2000	2400	2600	2400	2200

(5) Cash Sales at a discount of 5% are expected to average 100 units per month.

(6) Customers are expected to settle their accounts by the end of the second month following sale.

(7) Suppliers of material are paid two months after the material is used in production.

(8) Wages are paid in the same month as they are incurred.

(9) 70% of the variable overhead is paid in the month of production, the remainder in the following month.

(10) Corporation tax of $18 000 000 is to be paid in October.

(11) A new delivery van was bought in June, the cost of which, $8 000 000 is to be paid in August. The old vehicle was sold for $600 000, the buyer undertaking to pay in July.

(12) The company is expected to be $3 000 000 overdrawn at the bank at 30 June 2005.

(13) The opening and closing stocks of raw materials, work in progress and finished goods are budgeted to be the same.

Question 2. (20 Marks)

(a) Explain what you understand by the term "Cost and Management Accounting" clearly differentiating it from financial accounting. **[6 marks]**

(b) Describe the benefits which a cost accounting system produces for an organisation. (You may refer to your own experience relating to costing systems in your answer). **[14 marks]**

Question 3. (20 Marks)

Mujuru Steelworks has one service and two production departments.

During 2005 the following budget was drafted for 2006:

	P1 $000	P2 $000	D $000
Direct Material	$80 000 000	$100 000	-
Direct Labour	$90 000 000	$25 000 000	-
Overheads	$42 000 000	$50 000 000	$8 000 000
Labour hours	15 000	5 000	1 000

The cost of the service department will be allocated to the production departments with the labour hours as the basis.

It was also decided that the allocation of overheads to production would take place on the following basis:

P1 Labour hours
P2 Material Cost

The following information was obtained from the accounting records

The period 1 January 2006 to 31 December 2006

	Production	Departments
	P1	P2
Direct Material	$95 000 000	$120 000 000
Direct Labour	$100 000 000	$20 000 000
Direct labour hours	16 000	4 000

Actual Overheads amounted to $120 000 000 in all. It was decided to allocate this amount in the factory as follows:

P1 : 44%
P2 : 50%
Service dept. D: 6%

Required:

(a) Calculate overapplied or underapplied overheads for the year ended 30 June 2006 and divide it into a budgeted and volume variance in respect of dept P1. **[20 marks]**

Question 4. (20 Marks)

The following information regarding Shumba Ltd, which manufactures only one product, is available:

Fixed Cost per annum	8 000 000
Variable Cost per unit	750
Selling Price per unit	2 000

Required

(a) Calculate the break even volume. **[3 Marks]**

(b) Calculate the Margin of Safety **[3 Marks]**

(c) Calculate the profit if the Sales Volume is 10% more than the break-even volume. **[5 marks]**

(d) Accept the Sales volume and profit as calculated in (c). Now calculate the additional number of units that have to be sold in order to realise this profit if the variable costs were to increase by $16\frac{2}{3}$ **[16 Marks]**

QUESTION 5. (23 Marks)

Briefly explain the following costing terms:

(a) Fixed Costs **[4 marks]**
(b) Variable Costs **[4 marks]**
(c) Sunk Costs **[4 marks]**
(d) Relevant Costs **[4 marks]**
(e) Primary Cost **[4 marks]**

End of Examination Questions!!!