

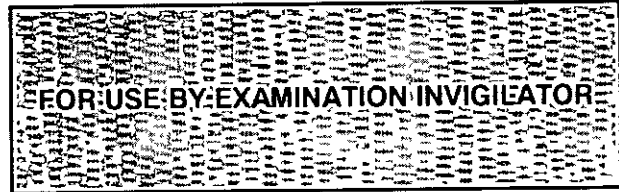
STUDENT NUMBER									

MAC1501
ANSWER SHEET
MAY/JUNE 2018

INTRODUCTION TO MANAGEMENT ACCOUNTING

Examination centre

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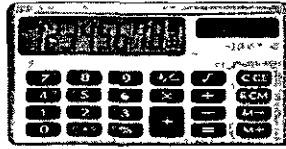
SECTION A – QUESTION 1

Indicate your answer by placing a "X" in the appropriate space

QUESTION	ANSWER			
1	A	B	C	D
2	A	B	C	D
3	A	B	C	D
4	A	B	C	D
5	A	B	C	D
6	A	B	C	D
7	A	B	C	D
8	A	B	C	D
9	A	B	C	D
10	A	B	C	D
11	A	B	C	D
12	A	B	C	D
13	A	B	C	D
14	A	B	C	D
15	A	B	C	D

QUESTION	ANSWER			
16	A	B	C	D
17	A	B	C	D
18	A	B	C	D
19	A	B	C	D
20	A	B	C	D
21	A	B	C	D
22	A	B	C	D
23	A	B	C	D
24	A	B	C	D
25	A	B	C	D
26	A	B	C	D
27	A	B	C	D
28	A	B	C	D
29	A	B	C	D
30	A	B	C	D

Insert this answer sheet immediately into your examination script which contains the rest of your answers

**MAC1501**

May/June 2018

Introduction to Management Accounting

Duration 2 Hours

100 Marks

EXAMINATION PANEL AS APPOINTED BY THE DEPARTMENT

Use of a non-programmable pocket calculator is permissible

Closed book examination

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue

This examination question paper consists of 6 (six) pages

PLEASE NOTE:

- a) This examination question paper is available in English only
- b) This examination question paper consists of 6 (SIX) questions
- c) Start each question on a new page
- d) Show all your calculations
- e) Write legibly in only black or blue ink. The use of a pencil or any other colour pen is not permitted
- f) PROPOSED TIMETABLE (try not to deviate from this)

Question	Topic	Marks	Time (minutes)
1	True or false questions, based on various learning units	10	12
2	Valuation of purchased inventory and payroll accounting	25	30
3	Assignment of overheads	15	18
4	Product cost accumulation for inventory valuation and profit calculation	14	17
5	Budgeting	20	24
6	Ratio analyses	16	19
	Total	100	120

[TURN OVER]

QUESTION 1 (10 marks) (12 minutes)

Consider each of the following statements carefully and indicate whether it is TRUE or FALSE. Where applicable give a reason why your answer is false

- 1 1 The focus of management accountants is external, therefore, they face ethical issues similar to those that financial accountants face
- 1 2 In job costing, costs are accumulated per job
- 1 3 Direct material, direct labour and production overheads are all prime costs
- 1 4 In order to ensure compliance with IFRS, marketing and distribution costs should be apportioned to the costs of goods manufactured
- 1 5 Labour instability means that the labour turnover is high
- 1 6 There is a positive correlation between the perceived risk attached to an investment and the required rate of return
- 1 7 Trade terms of 3/30, net 60 means that 3% of the amount owing must be paid within 60 days
- 1 8 Compliance risk refers to the risk that the company may fail to comply with the applicable laws
- 1 9 The time interval between paying for direct materials and collecting cash on sales of finished goods is known as cash conversion cycle
- 1 10 The production budget indicates the cost of direct materials that must be purchased in the budget period

[10]

QUESTION 2 (25 marks) (30 minutes)

This question consists of two separate parts, both of which must be answered.

PART 2.1

{14}

Treadrite Limited had 1 500 pairs of shoes in opening inventory that had cost the company R350 per pair. It purchased a further 1 800 pairs and paid R684 000. It then sold 1 900 pairs for R495 per pair and made a gross profit of R263 500.

REQUIRED.

- 2 1 1 Distinguish between inventory systems and inventory cost-flow assumptions (5)
- 2 1 2 What is the cost-flow assumption (method) that Treadrite Limited adopted? Support your answer by calculating the cost per pair of shoes in the closing inventory (9)

PART 2 2

{11}

Ms Nomonde Qunure is employed by Qhubeka Limited. The company's financial year runs from January to December. Ms Qunure's contract of employment entails the following:

- She works five (5) days a week (Monday to Friday), nine (9) normal hours a day
- Her normal weekly wage is based on the normal rate of R75 per hour
- She is entitled to three (3) weeks' paid leave per annum. The three weeks' annual leave is taken as compulsory leave in December when the company is closed
- She is also entitled to a year-end bonus equivalent to two (2) weeks' normal wages. The bonus is paid in the first week that the company is closed in December

Compulsory deductions are effected as follows:

[TURN OVER]

- Pension fund 8% of normal wages
- Medical aid 6% of normal wages
- UIF 1% of total gross wages
- PAYE 18% of taxable wages

REQUIRED.

- 2 2 1 Prepare Ms Qunure's payslip for the first week the company is closed in December (8)
- 2 2 2 Prepare the journal entries to record Ms Qunure's net wage for the first week the company is closed in December (3)
- [25]

QUESTION 3 (15 marks) (18 minutes)

Usiba Limited manufactures pencils. Usiba has three (3) production departments – Wood Preparation, Lead Preparation and Finishing – as well as two (2) service departments – Administration and Maintenance. The administration department renders service to all departments whereas the maintenance department renders service to the production departments only. The budgeted overhead costs and the expected levels of activity for the forthcoming year (2019) have been developed by the Cost Accountant and are presented below as follows:

	Production Departments		
	Wood Preparation	Lead Preparation	Finishing
	R	R	R
Production overheads (primary allocation)	1 541 000	2 250 000	1 611 000

	Service Departments	
	Administration	Maintenance
Total estimated usage (activity) in the forthcoming year (2019)	55 800 files	20 000 hours
Total service department costs (primary allocation)	R 1 545 500	R 401 000

The Cost Accountant recommended that the costs of service departments should be allocated to production departments using the step method and the allocation bases in the order as shown below:

	Wood Preparation	Lead Preparation	Finishing	Admin	Maintenance
① Administration. Allocated using the estimated files to be processed in 2019	18 500	15 200	10 300	4 300	7 500
② Maintenance Allocated using the estimated maintenance hours for 2019	8 600	5 400	2 500	1 750	1 750

[TURN OVER]

REQUIRED:

Using the step method as outlined above, calculate the total overhead costs allocated to each production department **Remember to show all your calculations (round off to the nearest rand)**

[15]

QUESTION 4 (14 marks) (17 minutes)

Nomafrench (Pty) Ltd has appointed you as a costing clerk and the Cost Accountant has provided you with the following information

The opening and closing inventory balances for the year were as follows

	Opening	Closing
Direct materials	12 000	24 000
Work-in-progress	25 000	10 000
Finished goods	60 000	74 000

The following transactions were recorded for the year

	R
Direct materials used in production	310 000
Direct labour cost incurred	380 000
Manufacturing machinery depreciation for the year	125 000
Factory utility cost incurred	100 000
Factory insurance cost incurred	120 000
Indirect labour cost incurred	90 000
Sales for the year	1 250 000

Manufacturing overhead is apportioned based on machine hours. At the beginning of the year the company budgeted that it would work 30 000 machine hours and incur R300 000 in manufacturing overhead cost. The actual machine hours worked for the year was 35 000.

REQUIRED:

- 4 1 Mention the difference between a job costing system and a process costing system (2)
- 4 2 Calculate the cost of direct material purchased during the year (2)
- 4 3 Calculate the over or under absorbed production overhead for the company for the year (5)
- 4 4 Prepare the statement of cost of goods manufactured for the year (5)

[14]

QUESTION 5 (20 marks) (24 minutes)

Ga-Mashashane Limited manufactures and sells Product X. The Management Accountant of the company has provided you with the following information

- The budgeted monthly sales in units are as follows

Month	Units
May	8 000
June	10 000
July	12 000
August	14 000
September	16 000

[TURN OVER]

- The budgeted selling price per unit is R500
- The standard product cost per unit is as follows

	R
Direct labour R40 per hour	120,00
Direct material R50 per kilogram	200,00
Variable overhead R25 per hour	75,00
Total unit cost	395,00

- It is company policy to maintain a closing inventory of finished goods to be equal to 20% of the current month's budgeted sales in units
- Variable overheads vary with direct labour hours worked
- The company wishes its closing inventory of direct materials to be equal to 25% of the current month's production requirements This target was not met in May since only 8 000 units were hand at the end of the month

REQUIRED.

- 5 1 Prepare the following operational budgets for the months of June and July 2018 (*use separate columns for June and July- no total*)
- | | | |
|-------|-------------------------------------|-----|
| 5 1 1 | Sales budget | (2) |
| 5 1 2 | Production budget (units) | (4) |
| 5 1 3 | Direct material budget | (7) |
| 5 1 4 | Direct labour budget | (3) |
| 5 1 5 | Variable production overhead budget | (2) |
- 5 2 Give two functions of budgets (2)

QUESTION 6 (16 marks) (19 minutes)

The following information was taken from the financial statements of Ditsaleng Limited for the year ended 31 December 2017

Ditsaleng Limited

Statement of profit or loss for the year ended 31 December 2017

	R
Sales	3 000 000
Cost of sales	(2 000 000)
Gross profit	1 000 000
Operating expenses	(600 000)
Operating profit	400 000
Interest paid	(100 000)
Income tax	(140 000)
Net profit for the year	160 000

[TURN OVER]

Ditsaleng Limited

Statement of financial position as at 31 December 2017

ASSETS	R
Non-current assets	1 460 000
Property, plant and equipment	1 460 000
Current assets	1 220 000
Inventory	720 000
Trade receivables	480 000
Cash and cash equivalents	20 000
Total assets	2 680 000
EQUITY AND LIABILITIES	R
Ordinary share capital	1 000 000
Accumulated profits	480 000
Capital and reserves	1 480 000
Long-term loans (non-current portion)	600 000
Current liabilities	600 000
Trade payables	420 000
Short-term portion of long-term debts	180 000
Total equity and liabilities	2 680 000

REQUIRED

Using the above financial statements, calculate the following ratios for the year ended 31 December 2017

- | | | |
|-----|---|-----|
| 6 1 | Gross profit margin | (2) |
| 6 2 | Operating profit margin | (2) |
| 6 3 | Return on assets (ROA) | (2) |
| 6 4 | Current ratio | (2) |
| 6 5 | Quick ratio | (2) |
| 6 6 | Inventory turnover ratio | (2) |
| 6 7 | Creditors payment period (<i>assume opening inventory on 1 January 2017 was R720 000</i>) | (2) |
| 6 8 | Debtors collection period | (2) |

**EXAMINATION PANEL AS APPOINTED BY DEPARTMENT
EXAMINERS.**

FIRST MS SB NTULI
 MR SKM SITHOLE

SECOND MS JM VERSTER