Tutorial Letter 202/2/2018

Introduction to Management Accounting

MAC1501

Semester 2

Department of Management Accounting

IMPORTANT INFORMATION:

Please activate your myUnisa and myLife email addresses and make sure
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Dear Student

We enclose the following for your attention:

Kind regards

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ANNEXURE: SUGGESTED SOLUTION TO ASSIGNMENT 02

Please refer to page 9 of tutorial letter 101 with regards to the departmental practice on the marking of the written assignment. The marks are allocated on the calculations shown by the student. If you do not show the calculations, sadly you do not get the full marks. The following ticks are used to mark the written assignment:

✓ designates 1 mark

✓ designates ½ mark

QUESTION 1

1.1	F
1.2	T
1.3	F
1.4	F
1.5	T
1.6	F
1.7	F
1.8	F
1.9	T
1.10	T

[1 X 10]

QUESTION 2

1.1	c
1.2	b
1.3	c
1.4	b
1.5	a
1.6	d
1.7	d
1.8	d
1.9	b
1.10	a

[1 X 10]

QUESTION 3

PART 3.1

3.1.1   The main objectives of financial accounting are:

i) the recording of financial transactions.

ii) the preparation of financial statements.

(2)

3.1.2   Fixed costs are costs are costs that remain unchanged regardless of the number of units produced e.g factory rent, insurance or salary of factory supervisor. Mixed costs are costs that include fixed element as well as variable element. Eg. Cost of electricity. (4)

3.1.3   The absorption costing method also known as the full costing method is the method that treats all manufacturing costs (i.e. direct materials, direct labour, variable and fixed overheads) as product costs. The marginal costing method also known as the variable costing or direct costing as a method that treats variable costs (i.e. direct materials, direct labour, variable overheads) as product costs and fixed overheads and period costs. (4)

[10]

PART 3.2

Date	Movements Purchases	Sales	Balance
1 April			200 @ R200 =R40 000
3 April	50 @ R220=R11 000		50 @ R220 =R11 000
4 April		150 @ R200 =R30 000	
5 April	100 @ R210 =R21 000		100 @ R210 =21 000
7 April		50 @ R200 = R10 00 30 @ R220 = R6 600	20@ R220 = R4 400 100 @ R210 =R11 000
8 April		20 @ R220 =R4 400 40 @ R210 = R8 400	
10 April	10 @ R220 = R2 200		
13 April	100 @ R215 = R21 500		10 @R220 = R2 200 60@ R210 = R12 600 100@ R215 = R21 500
15 April		10 @R220 = R2 200 40@R210 = R8 400	20 @ R210= R4 200 100@ R215 = R21 500
18 April		20 @ R210 = R4 200 50 @ R215 = R10 750	50 @ R215 = R10 750
20 April	120 @ R210 = R25 200		120 @ R210 = R25 200
25 April		50 @ R215 = R10 750 80 @ R210 = R16 800	40@ R210 = R8 400

The value of closing inventory = 40 @ R210 = R8 400

(15)

4

QUESTION 4

PART 4.1

4.1.1

	R
Normal wage (R30 x 45)	1 350,00
Overtime (R30 x 1,5 x 5)	225,00
Sunday (R30 x 2 x 4)	240,00
Total gross wage	1 815,00
Less: Pension fund (R1 350 x 8%)	108,00
Taxable wage	1 707,00
Less: Sundry deductions	341,95
PAYE (R1 707 x 18,5%)	315,80
Union fee	8,00
UIF (R1 815 x 1%)	18,15
Net wage	1 365,05

(9)

4.1.2

	Debit	Credit
	R	R
Wages account	1 815,00	
Pension fund		108,00
Union fee		8,00
UIF		18,15
PAYE		315,80
Net wage payable		1 365,05

(3)

PART 4.2

4.2.1

	Cutting	Finishing	Quality control	Maintenance
Prime costs	R	R	R	R
Direct material	69 300	144 900		
Direct labour	37 800	41 400		
	107 100	186 300		
Overheads:	82 511	52 964		
Primary allocation	41 400	29 205	24 900	39 970
Secondary allocation:				
Maintenance (No. of employees) (working 1)	19 985	15 544	4 441	(39 970)
			29 341	nil
Quality control (machine hours) (Working 2)	21 126	8 215	(29 341)	-
Total manufacturing costs	189 611	239 264	-	-

Workings:

1. Allocation of Maintenance to:

    - Milling   =   R39 970 x 27/54
    - Finishing =   R39 970 x 21/54
    - Quality   =   R39 970 x 6/54

2. Allocation of Quality control to:

    - Milling   =   R29 341 x 54/75
    - Finishing =   R29 341 x 21/75

4.2.2   Unit product cost   = Total manufacturing costs
                                      Budgeted production units

                                        = R239 624

                                            10 300 units

                                        = R23,23

QUESTION 5

PART 5.1

5.1.1 Production:

Zet Ltd:

7 hrs x 5 days= 35 hrs x 200 units = 7 000 units

Bee Ltd:

9 hrs x 5 days = 45 hrs x 200units = 9 000 units

(3)

5.1.2 ROA

Zet Ltd:

(R95 profit per unit x 7 000 units) / R2 000 000 = 33.25%

Bee Ltd:

(R95 profit per unit x 9 000 units) / R2 000 000 = 42.75%

(3)

5.1.3 ROA of Bee Ltd is higher than that of Zet Ltd because its asset is working harder, i.e. more efficiently used.

(1)

5.1.4 ROE is essentially ROA after taking debt into account; therefore the ROE would remain the same as the ROA.

(1)

5.1.5 Cash Conversion Cycle measures the number of days it takes to convert cash into inventory, and then convert the inventory into debtors, and then convert debtors back into cash again.

(2)

Part 5.2

5.2.1 Net working capital = current assets – current liabilities

= 72 431 – 30 207

=42 224

Net working capital is often used to measure company's overall liquidity.

(3)

5.2.1 Current ratio = current assets/current liabilities

= 72 431/30 207

= 2.4: 1

7

Current ratio indicates if a company will be able to pay its current liabilities out of the proceeds of its current assets. (3)

5.2.3   Quick ratio   =   (current assets – inventory)/ current liabilities

                                     =   (72 431 - 51 745)/30 207

                                     =   0.7: 1

Quick ratio indicates if a company will be able to pay its current liabilities out of the proceeds of its most liquid assets (i.e. excluding inventory). (4)

QUESTION 6

a) R16 830 000   (given)
b) R17 424 000   (1 980 x 8 800)
c) R15 246 000   (1 980 x 7 700)
d) R1 237 500   (given)
e) R1 856 250   (given)
f) R2 310 000   (given)
g) R2 904 000   (3 x 110 x 8 800)
h) R2 541 000   (3 x 110 x 7 700)
i) R1 815 000   (3 x 110 x 5 500)
j) R26 081 000   (given)