



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II SECOND SEMESTER

MANAGEMENT AND COST ACCOUNTING II [BAC2205]

APRIL 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** QUESTIONS
2. Begin each question on a new page.
3. Please indicate the study format (Conventional/Block/Parallel) on the cover of your answer script.

INFORMATION

1. Marks per question are as indicated.
2. Questions may be attempted in any order.
3. Candidates may bring silent non-programmable calculators into the examination

This paper consists of 10 printed pages including the cover page

Section A: MULTIPLE CHOICE: [30 Marks]

Each question in this section carries 2 marks

1. Which one of the following is not an objective of transfer pricing?
 - A. Goal congruency.
 - B. Enhancing performance evaluation.
 - C. To achieve autonomy.
 - D. All of the above.

2. Which budget should be prepared last?
 - A. Cash budget.
 - B. Master budget.
 - C. Production budget.
 - D. Sales budget.

3. Which statement about budgeting is correct?
 - A. Budget should always remain the same.
 - B. Budget should always be set at an ideal level of performance.
 - C. Budget appraisal should take actual operating conditions into account.
 - D. Budget should always be prepared based on previous period's actual results.

4. Workshop participants suggested the following benefits of introducing a budgetary control system.
 1. Coordinating business activities.
 2. Encouraging communication between departments.
 3. Ensuring labour costs do not rise.
 4. Controlling business activities.

Which of these following suggestions are correct?

- A. 1,2 and 3
- B. 1,2,3 and 4
- C. 1,2 and 4

D. 1,3 and 4

5. What could be the reason for a favourable material usage variance?

- A. Engaging demotivated staff in production.
- B. Using less material per unit than budgeted
- C. Using obsolete machinery in production.
- D. Strict supervision of employees

6. The following information relates to direct materials in a company.

Budget	Actual
83 000 litres at \$12 per litre	88 000 litres at \$13 ,20 per litre

What is the direct material price variance?

- A. \$ 99 600 A
- B. \$99 600 F
- C. \$105 600 A
- D. \$105 600 F

7. The following table shows budgets for a production period.

	Output level	
	4000 units	8 000 units
	\$	\$
Direct material	60 000	120 000
Direct labour	96 000	192 000
Production overheads	152 000	184 000
	308 000	496 000

The cost of producing 6 000 units is.

- A. \$282 000
- B. \$354 000

- C. 462 000
- D. \$402 000

8. The table shows estimated sales for a company.

	Cash	Credit
	\$	\$
January	20 000	35 000
February	20 000	45 000
March	20 000	55 000

Credit sales are expected to be paid as follows:

70% in the month following sale

30% in the second month following sale.

How much cash will be received in March?

- A. \$42 000
- B. \$45 000
- C. \$62 000
- D. \$75 000

9. A company uses a standard costing system.

	Budgeted data	Actual data
Units	2 500	2 000
Materials	5kg at \$30/kg	9000 kg at \$31 per kg

What is the material usage variance?

- A. \$30 000 Favorable
- B. \$30 000 Adverse
- C. \$105 000 Adverse
- D. \$105 000 Favourable

Use the following information on Z Ltd, a divisionalised company to answer questions 10 and 11

	Division A	Division B
	\$	\$
Net income	50 000	45 000
Capital employed	300 000	900 000
Cost of capital is 10 %		

10. Calculate return on investment for each division

	Division A	Division B
A	16,67%	16,67%
B	5%	5%
C	16,67%	5%
D	5%	16,67%

11. Calculate residual income for each division

	Division A	Division B
A	\$20 000	(\$45 000)
B	\$20 000	\$20 000
C	\$20 000	\$45 000
D	(\$20 000)	(\$45 000)

12. A firm produces three products; P, Q and R. Labour is in short supply and the following information is given:

	P	Q	R
Variable cost per unit	\$15.00	\$20 .00	\$18.00
Selling price per unit	\$28 .00	\$30 .00	\$29.00
Labour hours per unit	4.5	4.9	4.5

Which order of priority should be followed to maximize profits?

	First	Second	Third
A	P	Q	R
B	P	R	Q
C	Q	R	P
D	R	Q	P

13. In deciding to undertake a project, which cost will be ignored?

- A. Incremental cost.
- B. Opportunity cost.
- C. Replacement cost
- D. Sunk cost

14. A company manufactures and sells widgets. The directors want to increase profitability and are considering buying in widgets instead of manufacturing. The company should buy the widgets from outside if the price is:

- A. Less than marginal cost of production.
- B. More than marginal cost of production but less than marginal cost of sales.
- C. More than marginal cost of sales but less than total cost.
- D. More than total cost but less than selling price.

15. A company manufactures three products for which the following details per unit are available.

	X	Y	z
Sales value	12.00	12.00	22.50
Direct material cost	5.00	4.00	8.00
Labour cost	4.00	6.00	4.50
Labour hours	2	0.8	3

If labour hours are restricted in supply, which order of priority should the company adopt when planning its production?

	First	→ last	
A	Y	X	Z
B	Y	Z	X
C	Z	X	Y
D	Z	Y	X

Section B: 70 marks

Question 1

PX Ltd produces and sells product Q. The following information has been extracted from the books of PX Ltd for the year ended 31 March 2018. Standard cost and selling price per unit are as follows:

	\$(per unit)
Selling price	810
Variable cost:	
Direct material (5kg at \$80 per kg)	400
Direct labour (0.6hours at \$250 per hour)	150
Variable overheads (0.6hours at \$140 per hour)	84
Total variable cost	634
Contribution per unit	176

The actual information for the year was as follows:

	\$
Sales revenue (80 070 units)	64 536 420
Direct materials (398 500 kg)	32 677 000
Direct labour (48 900 hours)	10 758 000

Variable overheads 7 237 200

Actual production for the year was 80 070 units.

Variable overheads are charged based on the number of direct labour hours.

Budgeted production and sales quantity for the year were 80 000 units.

REQUIRED:

a) Calculate the following:

(i) Sales price variance (3 marks)

(ii) Variable overhead expenditure and efficiency variances (4 marks)

b) Prepare an operating statement reconciling the budgeted contribution with the actual contribution using the following additional information:

Variance	\$
Direct material price	797 000 adverse
Direct materials usage	148 000 favourable
Direct labour rate	1 467 000 favourable
Direct labour efficiency	214 500 adverse
Sales volume margin	12 320 favourable

(13 marks)

Question 2

A company has two Divisions, Division A and Division B. Division A supplies Division B with a part-finished product. Division B completes the production and sells the finished units in the market at \$35 per unit.

Budgeted data for the year:

	Division A	Division B
Number of units transferred/sold	10,000	10,000
	\$ Per unit	\$ per unit
Material costs	8	2
Other variable costs	2	3
	\$	\$
Annual fixed costs	60,000	30,000

REQUIRED:

Calculate the budgeted annual profit of each Division and the organization as a whole if the transfer price for components supplied by Division A to Division B is:

- a) \$20. (5 marks)
- b) \$25. (5 marks)
- c) Explain why it is necessary to set a transfer price. (5 marks)
- d) If Division A can sell the part finished components to external customers at \$23 per unit, comment if this could be an optimum price. (5 marks)

Question 3

The following information relates to SONAI (Pvt) Ltd, a clothing company.

	Children's wear	Men's wear	Ladies' wear
	\$	\$	\$
Annual profit	90 000	200 000	600 000
Capital invested	600 000	850 000	1 500 000

Interest is charged at 20% on capital invested

