



*“Investing in Africa’s future”*

**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE**

**NMAC 307: STRATEGIC MANAGEMENT ACCOUNTING**

**END OF SEMESTER EXAMINATIONS**

**NOVEMBER 2022**

**LECTURER: MR KAZOMBA.S**

**DURATION: 3 HOURS**

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***INSTRUCTIONS***

Answer **ALL** Questions from this paper

Start **each** question on a new page in your answer Booklet.

The marks allocated to **each** question are shown at the end of the question.

**Show all your workings.**

Credit will be awarded for logical, systematic and neat presentations.

### QUESTION ONE [25 MARKS]

Verify manufactures a single product. The product is manufactured in a single process, by combining three raw materials, A, B and C.

For 2019, the standard cost of a litre of the product was established in the budget as follows:

Material	Quantity litres	Price per litre \$	Standard cost \$
A	0.7	2	1.4
B	0.4	4	1.6
C	0.1	8	<u>0.8</u>
	<u>1.2</u>		3.8
Loss in process	<u>(0.2)</u>		-
Standard cost per litre of output	<u>1.0</u>		<u>3.8</u>

During one month in the year, 2,000 litres of finished products was the output from the process, and the actual direct material costs were as follows:

Material	Quantity Litres	Cost \$
A	1,340	2,970
B	910	3,450
C	240	<u>1,900</u>
		<u>8320</u>

#### Required:

- Calculate the material price variances and the material usage variances for the period. **(16 marks)**
- Calculate the materials mix. **(6 marks)**
- Explain the concept of management by exception **(3marks)**

## **QUESTION TWO [25 MARKS]**

The opening cash balance on 1 Jan was expected to be \$30 000. The sales budgeted were as follows:

November \$80 000

December \$90 000

January \$75 000

February \$75 000

March \$80 000

Analysis of records shows that debtors settle according to the following pattern:

60% within the month of sale

25% the month following

15% the month following.

Extracts from the Purchases budget were as follows:

December \$60 000

January \$55 000

February \$45 000

March \$55 000

All purchases are on credit and past experience shows that 90% are settled in the month of purchase and the balance settled the month after.

Wages are \$15 000 per month and overheads of \$20 000 per month (including \$5000 depreciation) are settled monthly.

Taxation of \$8000 has to be settled in February and the company will receive settlement of an insurance claim of \$25 000 in March.

### **Required:**

Prepare a cash budget for January, February and March. **(25 marks)**

### **QUESTION THREE [25 MARKS]**

Tokio Ltd manufactures and sells only one product. The product is sold at \$10 per unit.

Other details are as follows:

Variable cost per unit \$5

Fixed cost per month \$20 000

Normal sales per month 6 000 units

#### **Required:**

- a. Calculate the contribution per unit. **(2 marks)**
- b. Calculate the contribution ratio (P/V ratio). **(2marks)**
- c. Calculate the break-even point in units. **(3 marks)**
- d. Calculate the break-even point in sales value (\$). **(3marks)**
- e. Calculate the margin of safety and the margin of safety ratio. **(4 marks)**
- f. Draw a break-even graph which clearly indicates the break-even point. **(6 marks)**
- g. Calculate the net profit per month if 5 000 units are sold. **(5marks)**

### **QUESTION FOUR [25 MARKS]**

- a) Outline the environmental related costs and earnings as stipulated in environmental accounting. **(8 marks)**
- b) Discuss the benefits to government of the implementation of environmental accounting by industry. **(10 marks)**
- c) Explain how environmental accounting is a driver of sustainable investment. **(7 marks)**

**END OF PAPER**