



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMAC 307: STRATEGIC MANAGEMENT ACCOUNTING

**END OF SEMESTER EXAMINATIONS
APRIL 2023**

LECTURER: MR KAZOMBA.S

DURATION: 3 HOURS

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]

Mega uses the Standard Costing system. In December 2020, the budgeted production/sale were 19,200 units and standard cost card is as follow. Budgeted fixed overhead for the month is. \$345,600.

	Per unit in \$
Materials (2kg at \$10/- each) 20	20
Direct labour (3 hours @ \$24 per hour)	72
Variable overhead (\$8 per labour hour)	24
Fixed overhead (\$6 per labour hour)	18
Total	134

Actual information for the month

Direct Material Purchase - \$392,000 (40,000kg)

Actual production - 19,000 units

Labour cost - \$.1, 364,000 (62,000 hours)

Variable Overhead cost - \$558,000

Fixed overheads costs - \$ 361,000

Required:

Calculate the following variances:

- a. Direct material price variance (4 marks)
- b. Direct material usage variance (4 marks)
- c. Direct material cost variance (4 marks)
- d. Discuss on the *environmental accounting* (8 marks)
- e. Comment on the usefulness of **standard costing** (5 marks)

QUESTION TWO [25 MARKS]

Evaluate the importance of budgeting and budgetary control to your organisation as you are the management accountant.

QUESTION THREE [25 MARKS]

Arion manufactures and sells only one product. The product is sold at \$15 per unit. Other details are as follows:

Variable cost per unit \$5

Fixed cost per month \$25 000

Normal sales per month 5000 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 4 000 units are sold. (5marks)

QUESTION FOUR [25 MARKS]

a) A company manufactures three products whose cost data is given below.

Product	X	Y	Z
Selling price	\$100	\$80	\$90
Direct Material	\$20	\$12	\$16
Direct labour	\$16	\$16	\$16
Variable overheads	\$16	\$12	\$15

The management wants to drop out Product Y as it is not profitable.

Required:

- What advice would you give to management? (13 marks)
- b) Explain how a management accountant can use **make or buy** analysis and the **limiting factor principle** to achieve optimal solutions to an internal management problem. (12 marks)

END OF EXAMINATION