



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

**NMAC 307: STRATEGIC MANAGEMENT ACCOUNTING**

**END OF FIRST SEMESTER EXAMINATIONS**

**JANUARY 2023**

**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]

Stenkaz uses the Standard Costing system. In December 2021, 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 \$
<b>Materials (2kg at \$10/- each)                  20</b>	<b>20</b>
<b>Direct labour (3 hours @ \$24 per hour)</b>	<b>72</b>
<b>Variable overhead (\$8 per labour hour)</b>	<b>24</b>
<b>Fixed overhead (\$6 per labour hour)</b>	<b>18</b>
<b>Total</b>	<b>134</b>

### 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:**

- Direct material price variance (4 marks)
- Direct material usage variance (4 marks)
- Direct material cost variance (4 marks)
- Discuss on the *significance and usefulness* of a materials mix and a materials yield variance, for management control purposes. (8 marks)
- Comment on the usefulness of standard costing (5 marks)



## QUESTION TWO [25 MARKS]

The information is for Jojo from January to June 2019 in a columnar form.

Month	Sales	Purchases	Wages	Exp.
Jan. (actual)	80,000	45,000	20,000	5,000
Feb. (actual)	80,000	40,000	18,000	6,000
Mar. (actual)	75,000	42,000	22,000	6,000
Apr. Budget	90,000	50,000	24,000	6,000
May Budget	85,000	45,000	20,000	6,000
Jun. Budget	80,000	35,000	18,000	5,000

You are further informed that:

- i. 10% of purchases and 20% of sales are for cash.
- ii. The average collection period of the company is half a month and credit purchases are paid off regularly after one month.
- iii. Wages are paid half monthly and the rent of \$500, excluded in expense, is paid monthly.
- iv. Cash and bank balance on April 1 was \$15,000, and the company aims to keep it below this figure at the end of every month. The excess cash is placed in fixed deposits.

### Required:

Cash budget for April, May and June 2019. (25 marks)



### QUESTION THREE [25 MARKS]

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

Product	A	B	C
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 B 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)

### QUESTION FOUR [25 MARKS]

A local enterprise office has asked your employer, a firm of Certified Public Accountants, to prepare a series of briefing documents suitable for small and medium sized businesses. You have been asked by the managing partner to develop the first briefing note as outlined in the following requirement.

**Required:**

Prepare a briefing note that:

- (a) Presents the key differences between management accounting and financial accounting; (12 marks)
- (b) Describes the role of the management accountant; and (5 marks)
- (c) Outlines four factors that influence a company's demand for management accounting information. (8 marks)

**END OF PAPER**