



***"Investing in Africa's Future"***

**COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES**

**NMAC: STRATEGIC MANAGEMENT ACCOUNTING**

**END OF FIRST SEMESTER EXAMINATIONS**

**NOVEMBER 2024**

**LECTURER: N. E CHIRIMA**

**TIME: 3 HOURS**

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### ***INSTRUCTIONS***

ANSWER ***ALL*** QUESTIONS on the Africa University answer booklet provided

MARKS ALLOTTED TO EACH QUESTION ARE SHOWN

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CLEAR AND NEATLY PRESENTED WORK WILL BE AWARDED MARKS FOR  
PRESENTATION

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### **QUESTION ONE (25 possible marks)**

- a. Compare and contrast management accounting discipline with the following disciplines:
  - i. Financial accounting (reporting) 2 marks
  - ii. Cost accounting 2 marks
- b. Outline the role of the management accountant in decision making. 10 marks
- c. Compare and contrast the management accounting information needs for the three management levels in an organization (strategic, tactical, and operational) 11 marks

### **QUESTION TWO (25 possible marks)**

- a. A factory requires 1,500 units of an item per month. The cost of each unit is \$27. The cost per order is \$150 and material carrying charge works out to 20% of the average material.

You are required to:

- i. Compute the economic order quantity (EOQ) 2 marks
- ii. Ascertain the number of orders to be placed per year 1 mark
- iii. Would you accept a 2% price discount on a minimum supply of 1,200 units? 5 marks
- iv. Explain how keeping track of inventory levels is of importance in management decision making in the manufacturing sector? 6 marks
- v. Discuss at least two inventory management systems that can be used in a timber manufacturing entity. 6 marks

### **QUESTION THREE (25 possible marks)**

JD Manufacturers produce two products: A and B. The company is currently preparing its 2025 budget. Currently in inventory there are 800 units of A and 1 200 units of B. Of these, 250 units of B have been damaged and must be scrapped. Budgeted sales of A are 3 000 units and B 4 000 units, provided finished goods inventory is kept at a level of 2 months' sales. Originally, one worker was expected to produce one unit of A in 2 hours and one unit of B in three hours at an hourly labor rate of \$2, 50. Negotiations with the labor union has resulted in a wage rate increase of 50c per hour provided the times to produce A and B are reduced by 20%.

You are required to prepare:

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|--|----------|
| a. The production budget                   | 9 marks  |
| b. The direct labor budget                 | 6 marks  |
| c. Discuss the 'beyond' budgeting concept. | 10 marks |

**QUESTION FOUR (25 possible marks)**

- d. The Express Banquet has two restaurants that are open 24-hours a day. Fixed costs for the two restaurants together total \$459,000 per year. Service varies from a cup of coffee to full meals. The average sales check per customer is \$8.50. The average cost of food and other variable costs for each customer is \$3.40. The income tax rate is 30%. Target net income is \$107,100.

Required:

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|---|----------|
| i. Compute the revenues needed to earn the target net income.   | 2 marks  |
| ii. How many customers are needed to break even?  | 2 marks  |
| iii. How many customers are needed to earn net income of \$107,100?   | 2 marks  |
| iv. Compute net income if the number of customers is 170,000.   | 1 mark   |
| v. What limitations should the management accountant be aware of in the use of the Cost-Volume-Profit analysis? | 10 marks |
- e. Outline the key drivers of change that have led to the need for management accountants to produce environmental reports. 8 marks

**END OF EXAMINATION**