

Index Number.....Signature.....
Date.....



**CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI, GHANA
CSUC SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE
MSc ACCOUNTING AND FINANCE
END OF SECOND SEMESTER EXAMINATIONS – 2018/19 ACADEMIC YEAR
LEVEL 500
MACF 504: MANAGEMENT ACCOUNTING**

MAY, 2019

100 MARKS

TIME ALLOWED: 3 HOURS

GENERAL INSTRUCTIONS:

ANSWER ALL THE FOUR (4) QUESTIONS. ALL QUESTIONS CARRY EQUAL MARKS

Examiner: Joseph Agyemang

Index Number.....Signature.....
Date.....

QUESTION 1

Ebony Ltd is a listed company that assembles domestic electrical goods which it then sells to both wholesale and retail customers. Ebony Ltd's management was disappointed in the company's results for the year ended 31 March 2014. In an attempt to improve performance the following measures were taken early in the year ended 31 March 2015:

A national advertising campaign was undertaken,

Rebates to all wholesale customers purchasing goods above set quantity levels were introduced,

The assembly of certain lines ceased and was replaced by bought in completed products. This allowed Ebony Ltd to dispose of surplus plant.

Ebony Ltd's summarized financial statements for the year ended 31 March 2015 are set out below:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

	GHSm
Revenue (25% cash sales)	4,000
Cost of sales	<u>(3,450)</u>
Gross profit	550
Operating expenses	<u>(370)</u>
Operating profit	180
Profit on disposal of plant (note (i))	40
Financial charges	<u>(20)</u>
Profit before tax	200
Income tax expense	<u>(50)</u>
Profit for the year	<u>150</u>

Index Number.....Signature.....
Date.....

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	GHSm	GHSm
Non-current Assets		
Property, Plant and equipment (note (ii))		550
Current Assets		
Inventory	250	
Trade receivables	360	
Bank	<u>nil</u>	<u>610</u>
Total Assets		<u>1,160</u>
Equity and Liabilities		
Stated capital (400m shares)		100
Income Surplus		<u>380</u>
		480
Non-current liabilities		
8% loan notes		200
Current liabilities		
Bank overdraft	10	
Trade payables	430	
Current tax payables	<u>40</u>	<u>480</u>
Total equity and liabilities		<u>1,160</u>

Below are ratios calculated for the year ended 31 March 2014:

Return on year end capital employed (profit before interest and tax over total assets less current liabilities)	28.1%
Net assets (equal to capital employed) turnover	4 times
Gross profit margin	17%
Net profit (before tax) margin	6.3%
Current ratio	1.6:1
Closing inventory holding period	46 days
Trade receivables' collection period	45 days
Trade payables' payment period	55 days

Index Number.....Signature.....
Date.....

Dividend yield 3.75%
Dividend cover 2 times

Notes

Ebony Ltd received GHS 120m from the sale of plant that had a carrying amount of GHS 80m at the date of its sale.

The market price of Ebony Ltd's share throughout the year averaged GHS3.75

each. There were no issues or redemption of shares or loans during the year.

Dividends paid during the year ended 31 March 2016 amounted to GHS 90m, maintaining the same dividend paid in the year ended 31 March 2015.

Required:

- (a) Calculate ratios for the year ended 31 March, 2015 (showing your workings) for Ebony Ltd, equivalent to those provided above. **(20 marks)**
- (b) Analyse the financial performance and position of Ebony Ltd for the year ended 31 March 2015 compared to the previous year. **(5 marks)**

(Total: 25 marks)

QUESTION 2

A) Africa manufacturing company finds that while it costs to make component X, the same is available in the market at ₵5.75 each, with all assurance of continued supply. The breakdown of cost is:

Materials	₵2.75 each
Labour	₵1.75 each
Variable overheads	₵0.50 each
Depreciation and other fixed cost	₵ <u>1.25 each</u>
	₵ <u>6.25 each</u>

- (a) Should the company make or buy the component? **(5 Marks)**
- (b) What should be your decision if the supplier offered component at ₵4.85 each? **(4 Marks)**
- B) Budgeting is an effective management tool in business decision making.
- i. Explain **four** reasons why budgeting is important. **(8 marks)**
- ii. Discuss **four** conditions necessary for effective budgeting. **(8 marks)**

Index Number.....Signature.....
Date.....

(Total 25Marks)

QUESTION 3

The standard labour component and the actual labour component engaged during the month are given below:

	Skilled	Semi-skilled	Unskilled
(a) Standard number of workers in a group	30	10	10
(b) Standard wage rate (¢)	20	12	8
(c) Actual number of workers employed during the month in the group	24	15	12
(d) Actual wage rate per hour (¢)	24	10	8

During the month of 200 working hours, the group produced 9,600 standard hours of work.

You are required to calculate:

- (i) Wage rate variance **(5 marks)**
- (ii) Labour efficiency variance **(5 marks)**
- (iii) Labour mix variance **(5 marks)**
- (iv) Total labour cost variance **(5 marks)**

(5 marks for workings)

Total (25 Marks)

QUESTION 4

The following results of a company for the last two years are as follows:

Year	Sales (GH¢)	Profit (GH¢)
2014	150,000	20,000
2015	170,000	25,000

You are required to calculate:

- (i) P/V Ratio **(4 marks)**
- (ii) B.E.P **(4 marks)**
- (iii) The sales required to earn a profit of GH¢ 40,000 **(5 marks)**
- (iv) Profit when sales are GH¢ 250,000 **(4 marks)**
- (v) Margin of safety at a profit of GH¢50,000 **(4 marks)** and
- (vi) Variable costs of the two periods **(4 marks)**.