



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES

EXAMINATION PAPER

COURSE CODE : CAC 107
COURSE TITLE : INTRODUCTION TO COST AND MANAGEMENT
ACCOUNTING
SPECIAL REQUIREMENTS : **SCIENTIFIC CALCULATOR IS ALLOWED**
DURATION : 3 Hours
LEVEL : 1.2
DATE :

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed.
3. Answer all questions in both section A and Section B.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets
6. Each question in section A carries 2 marks.

SECTION A

Answer all questions in this section. Each question carries 2 marks.

1. When absorbed overheads are \$23 540 and actual overheads are \$22 400, there is:

A Under absorption of \$1, 140

B Under absorption of \$45, 940

C Over absorption of \$1, 140

D Over absorption of \$45940

2. Danger level= Normal consumption X _____

A Reorder period

B Maximum Reorder period

C Maximum Reorder period in emergency

D Minimum Reorder period

3. A company manufactures high-quality china plates, which are hand-painted. It has a budgeted overhead of \$20,000, taking 150 machine hours and 800 direct labour hours. Each plate uses \$3 of direct materials, 0.25 labour hours at \$10 per hour and 0.2 machine hours. What is the cost of a plate?

A \$32, 17

B \$30, 50

C \$10, 50

D \$11, 75

4. An Organisation sold units 4,000 and have closing finished goods 3,500 units and opening finished goods were 1,000. The quantity of units produced would be;

A 7500 units

B 6500 units

C 4500 units

D 8500 units

5. Which of the following is considered as basic systems of remunerating labour? Select correct option;

A Time rate system

B Piece rate system

C Halsey Premium plan

D Both A and B

6. If sales = \$800,000 applied mark-up = 25% of cost, what would be the value of Gross profit?

A 200,000

B 160,000

C 480,000

D 640,000

7. Cost accounting is a specialised branch of accounting which deals with

A Classification, recording, allocation and control of costs

B Classification, processing, allocation and directing

C Classification, recording, planning and control of costs

D Classification, recording, allocation and directing

8. Expenditure incurred on material, labour, machinery, production and inspection are summed up to find the _____.

A Total cost of product

B Selling price of product

C Factory cost of product

D None of the above

9. Which of the following calculate the actual cost of product

A Cost estimation

B Costing

C Both (A) and (B)

D None of the above

10. Which of the following cost is also known as overhead cost or on cost:

A Cost of direct labour

B Cost of indirect labour

C Direct expenses

D Indirect expenses

11. In cinema halls, composite cost unit is _____:

A seat per show

B Cost of screening

C Salary of staff

D Rent of cinema hall

12. The stage of production at which separate products are identified is known as _____:

A Process costing

B Reverse cost method

C Subsequent cost

D Equivalent production

13. _____ in contracts entitles a contractor to suitably enhance the contract price if the cost rises beyond a given percentage:

A Notional price

B Indirect cost

C Estimate

D Escalation clause

14. Which factor causes change in cost of activity:

A Activity cost

B Driver rates

C Cost pool

D Cost drivers

15. Over-absorption of factory overheads, due to inefficiency of management, should be disposed of by:

A Carrying forward to next year

B Supplementary rate

C Transfer to costing P&L A/c

D Any of these

{TOTAL: 30 MARKS}

SECTION B

Answer all questions in this section

Question one

Briefly outline the key differences between financial Accounting and Management accounting with specific references of the following;

- a) Users of information [5 marks]
- b) Reporting frequency [5 marks]
- c) Format of the reports [5 marks]
- d) Time orientation [5 marks]
- e) Focus [5 marks]

NB: In your response make use of examples in relation to a certain company of your choice.

[Total 25 marks]

Question two

The following information is available for Magoba Ltd for the months of July and August:

	July	August
Production (units)	13,000	15,000
Sales (units)	12,000	16,000
Direct materials	\$29,250	\$33,750
Direct labour	\$19,500	\$22,500
Variable production overheads	\$7,800	\$9,000
Selling and administrative expenses	\$45,200	\$57,600

• **Additional information:**

- 1. For Magoba Limited has budgeted production of 15,000 units and fixed overheads of \$29400 per month.
- 2. Actual Fixed production overheads are \$29,400 per month.
- 3. The company sells 'the Storax' for \$20 each.
- 4. the selling and administration expenses include both the variable and fixed component
- 5. At 30 June the company had no 'Storax' accessories in its warehouse.

Required:

(a) Prepare profit statements for Magoba Limited for the months of July and August using:

(i) Marginal costing [10 marks]

(ii) Absorption costing [12 marks]

(b) Explain the key differences between Marginal and Absorption costing [3 marks]

[Total 25 marks]

Question three

(a) Discuss the arguments for and against the inclusion of fixed overheads in stock valuation for the purpose of internal profit measurement. [10 marks]

(b) Explain the following terms in job costing:

I. Batch costing

[3 marks]

II. Contract costing

[3 marks]

(c) Explain how Activity Based Costing might be implemented in an Organisation and how useful it is?

[4 marks]

[Total 20 marks]

END OF EXAMINATION