



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

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**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING**

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**DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES**

**EXAMINATION PAPER**

<b>COURSE CODE</b>	: CAC 107
<b>COURSE TITLE</b>	: INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING
<b>SPECIAL REQUIREMENTS</b>	: <b>SCIENTIFIC CALCULATORS IS ALLOWED</b>
<b>DURATION</b>	: 3 Hours
<b>LEVEL</b>	: 1.2
<b>DATE</b>	:

**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. 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
2. 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
3. Which of the following is considered as basic systems of remuneration? Select correct option;  
A Time rate system  
B Piece rate system  
C Halsey Premium plan  
D Both A and B
4. 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
5. In cinema halls, composite cost unit is \_\_\_\_\_:  
A seat per show  
B Cost of screening  
C Salary of staff  
D Rent of cinema hall
6. 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**

7. Cost accounting is a specialized 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 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

12. Which factor cause change in cost of activity:

**A** Activity cost

**B** Driver rates

**C** Cost pool

**D** Cost drivers

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

**A** Carry forward to next year

**B** Supplementary rate

**C** Transfer to costing P&L A/c

**D** Any of these

**14.** 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

**15.** Danger level= Normal consumption X \_\_\_\_\_

**A** Reorder period

**B** Maximum Reorder period

**C** Maximum Reorder period in emergency

**D** Minimum Reorder period

**{TOTAL: 30 MARKS}**

## SECTION B

Answer all questions in this section.

### Question one

All Organisation incur costs. A significant element of management accounting is the classification and analysis of those costs. Therefore, it is important to understand the use of terms such as cost unit, cost centre, investment centre and responsibility centre.-Association of Accounting Technicians, 2013, pg.9.

Required

a. Define the following terms;

- |                          |           |
|--------------------------|-----------|
| I. Cost unit             | [2 marks] |
| II. Cost centre          | [2 marks] |
| III. Revenue centre      | [2 marks] |
| IV. Investment centre    | [2 marks] |
| V. Responsibility centre | [2 marks] |

b. Discuss the assertion that cost and management accounting in the 21<sup>st</sup> century has become more significant than ever before. [10 marks]

c. State five assumptions associated with Economic Order Quantity (EOQ) [5 marks]

[Total 25 marks]

### Question two

X Company manufactures three products (A, B and C) in one of its production cost centres. It is expected that 10 units of product A can be manufactured per direct labour hour, 25 units of product B and 20 units of product C. The standard hour for product A is 10 units, product B is 25 units and product C is 20 units. Budgeted production of the three products (A, B and C) in period 1 is;

Product	A	12,400 units
Product	B	10,000 units
Product	C	18,500 units

In period 1, the actual production output of the three products was;

Product	A	13,300 units
Product	B	9,600 units

Product C 18,000 units

A total of 2,430 direct labour hours were worked in period 1

**Required;**

Using the above data about the budgeted direct labour hours, the actual direct labour hours and the expected direct labour hours to manufacture the actual output, Calculate the following ratios;

- a) Production volume ratio [5 marks]
- b) Capacity utilisation ratio [5 marks]
- c) Efficiency ratio [5 marks]
- d) Comment on each of the above ratios [10 marks]

[Total 25 marks]

**Question three**

- (a) State any 5 methods of remuneration. [5 marks]
- (b) Explain any 6 unavoidable causes of high labour turnover in a company of your choice. [11 marks]
- (c) State any 4 methods of classifying cost when dealing with cost and management accounting. [4 marks]

[Total 25 marks]

**END OF EXAMINATION**