



ZIMBABWE EZEKIEL GUTI UNIVERSITY

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTING**

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 111
COURSE TITLE : MANAGEMENT ACCOUNTING FOR BUSINESS
SPECIAL REQUIREMENTS : NONE
DURATION : 2 HOURS
LEVEL : 1.2
DATE : 28 NOV 2022

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer **all** questions.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []

Section A

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

Select the most appropriate answer

1. The purchase price of a stock item is \$25 per unit. In each three month period, the usage of the item is 20 000 units. The annual holding costs associated with one unit equate to 6% of its purchase price. The cost of placing an order for the item is \$20.

What is the Economic Order Quantity (EOQ) for the stock item to the nearest whole unit?

A 730

B 894

C 1 461

D 1 633

2. Which of the following word DOES NOT describe a main focus of management accounting? A. Planning

B. Control

C. External

D. Decision-making

3. Based on the data below, what is the amount of the overhead **under-/over-**absorbed? Budgeted overheads \$493 200, Budgeted machine hours 10 960. Actual machine hours were 10 493 and the actual overheads amounted to \$514 157.

A \$20 957 under-absorbed

B \$21 015 over-absorbed

C \$21 015 under-absorbed

D \$41 972 under-absorbed

4. The success of budgetary control system depends upon the willing cooperation of...

A. Shareholders

B. Management

C. Creditors

D. All the functional areas of management

5. An order size that minimizes inventory Ordering and carrying costs;

- A. Order point
- B. Safety stock
- C. EOQ
- D. EQQ

6. BA manufacturing company operates a job costing system. Production overheads are absorbed at a rate of \$8.50 per machine hour. In order to allow for non-production overheads and profit, a mark-up of 60% on prime cost is added to the production costs to determine the selling price estimates.

The estimated requirements of a job number **COVID-19** are as follows:

| | |
|------------------|----------|
| Direct materials | \$10 650 |
| Direct Labour | \$3 260 |
| Machine hours | 140hrs |

What is the estimated price to be notified to the customer for job number **COVID-19**?

- A \$22 256
- B \$22 851
- C \$23 446
- D \$24 160

7. Which of the following would explain a labour efficiency planning variance?

- (1) A change in employment legislation requiring staff to take longer rest periods
- (2) Customers demanding higher quality products leading to a change in product design
- (3) The learning effect for labour being estimated incorrectly in the production budget

A 1 and 2 only B 2 and 3 only C 3 only D 1, 2 and 3

8. Which of the following are benefits of budgeting?

- 1 It helps coordinate the activities of different departments
- 2 It fulfils legal reporting obligations

3 It establishes a system of control

4 It is a starting point for strategic planning

A 1 and 4 only B 1 and 3 only C 2 and 3 only D 2 and 4 only

9. A company always determines its order quantity for a raw material by using the Economic Order Quantity (EOQ) model.

What would be the effects on the EOQ and the total annual holding cost of a decrease in the cost of ordering a batch of raw material?

| | EOQ | Annual holding cost |
|---|--------|---------------------|
| A | Higher | Lower |
| B | Higher | Higher |
| C | Lower | Higher |
| D | Lower | Lower |

10. A manufacturing company operates a standard absorption costing system. Last month 25,000 production hours were budgeted and the budgeted fixed production cost was \$125,000. Last month the actual hours worked were 24,000 and standard hours for actual production were 27,000.

What was the fixed production overhead capacity variance for last month?

A \$5,000 Adverse B \$5,000 Favourable C \$10,000 Adverse D \$10,000 Favourable

11. Which of the following statements relating to management information are true?

1. It is produced for parties external to the organisation
2. There is usually a legal requirement for the information to be produced
3. No strict rules govern the way in which the information is presented
4. It may be presented in monetary or non-monetary terms

A 1 and 2 B 3 and 4 C 1 and 3 D 2 and 4

12. The purchase price of an item of inventory is \$25 per unit. In each three month period the usage of the item is 20,000 units. The annual holding costs associated with one unit equate to 6% of its purchase price. The cost of placing an order for the item is \$20.

What is the Economic Order Quantity (EOQ) for the inventory item to the nearest whole unit? **A** 730 **B** 894 **C** 1,461 **D** 1,633.

13. Danger level = Normal consumption X _____

A Reorder period

B Maximum reorder period

C Maximum reorder period I emergency

D Maximum reorder period

14. The following budgeted information relates to a manufacturing company for next period:
Units \$ Production 14,000 Fixed production costs 63,000 Sales 12,000 Fixed selling costs 12,000
The normal level of activity is 14,000 units per period. Using absorption costing the profit for next period has been calculated as \$36,000.

What would be the profit for next period using marginal costing?

A \$25,000

B \$27,000

C \$45,000

D \$47,000

15 The costing approach that charges all manufacturing costs of a product is referred to as;

A Variable cost

B Contribution margin costing

C Direct costing

D Absorption costing

[Total 30 marks]

Section B

Answer all questions from this section

Question one

- a) Describe the scope and key features of management accounting to a manufacturing concern. [10 marks]
- b) State five characteristics of a good managerial information. [5 marks]
- c) Briefly outline the key differences between Financial Accounting and Management Accounting in respect to users, time orientation, reporting, format and focus. [10 marks]
- [Total 25 marks]

Question two

Madamburo Ltd has two production cost centres (Assembly and Finishing) and two service cost centres (Maintenance and Canteen). The following are budgeted costs for the next period ending 31 December 2020:

| Details | Amount(\$) |
|----------------------|------------|
| Indirect materials | 20 000 |
| Rent | 15 000 |
| Electricity | 10 000 |
| Machine depreciation | 5 000 |
| Indirect labour | 16 520 |

| Details | Assembly | Finishing | Maintenance | Canteen |
|------------------------------|----------|-----------|-------------|---------|
| Area (square metres) | 1 000 | 2 000 | 500 | 500 |
| KW hours consumed | 2 750 | 4 500 | 1 975 | 775 |
| Machine value (\$) | 45 000 | 35 000 | 11 000 | 9 000 |
| Staff | 20 | 30 | 10 | 2 |
| Direct labour hours | 3 | 175 | 3 | 800 |
| Indirect Materials used (kg) | 7 000 | 8 000 | 3 000 | 2 000 |
| Indirect labour | 1 600 | 2 220 | 11 200 | 1 500 |

| | | | | |
|------------|--|--|--|--|
| used (hrs) | | | | |
|------------|--|--|--|--|

Required:

Prepare an overhead analysis sheet showing the overhead costs budgeted for each cost centre, the basis of apportionment used in each case [13 marks]

a) Stores data for part number 5 for December 2020 are as follows;

| Date | Receipts | Purchase price /unit | Issues |
|----------|-----------|----------------------|-----------|
| 01/12/20 | 600units | \$4.00 | |
| 05/12/20 | 400 units | \$4.50 | |
| 06/12/20 | | | 320 units |
| 12/12/20 | | | 400 units |
| 20/12/20 | 360units | \$4.80 | |
| 24/12/20 | | | 320 units |
| | | | |

Required

Calculate the value for inventory for part number 25 as at 31/12/20 using FIFO, LIFO and AVCO methods and also indicate and give reasons on which method is suitable for use in your organisation [12 marks]

[Total 25 marks]

Question three

The following information is available for Hlatywayo ltd for the months of March and April:

| | March | April |
|-------------------------------------|----------|----------|
| 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 Hlatywayo 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 Stambo' for \$20 each.
4. The selling and administration expenses include both the variable and fixed component

5. At 28 February the company had no 'Stambo' accessories in its warehouse.

Required

(a) Prepare profit statements for Hlatywayo Limited for the months of March and April using Absorption costing [12

marks]

b) Explain the term budget [2 marks]

c) State any three types of budgets and their uses [6 marks]

[Total 20 marks]

END OF EXAMINATION QUESTION PAPER