



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

**FACULTY OF LAW BUSINESS INTELLIGENCE AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL  
MANAGEMENT**

**EXAMINATION PAPER**

**COURSE CODE** : CAC 414  
**COURSE TITLE** : MANAGEMENT AND COST ACCOUNTING 2  
**SPECIAL REQUIREMENTS** : Calculator  
**DURATION** : 3 Hours  
**LEVEL** : 4.1  
**DATE** : 13 JUN 2024

**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 only
4. The number of marks for each question or part question is shown in brackets [ ]

**SECTION A [20 Marks]**

**Each question carries 2 marks**

- 1) Simba Ltd uses the standard costing system. During the month of May 2003 the following information was provided

	Standard cost per unit based on a budgeted output of 12 000 units	Actual cost of 12 500 units produced
Direct material	6.1 metres @ \$5 50 per metre	73 750 metres costing \$427 750
Direct labour	2.75 hours @ \$15 per hour	31 250 hours @ \$16. 20 per hour

What is the difference between the standard and actual direct labour costs of producing 12 500 units?

- A. \$3 125 adverse
  - B. \$937 favourable
  - C. \$10 250 favourable
  - D. \$11 250 adverse
2. Following is used as tool for Cost Control
- A. Marginal cost
  - B. Historical cost
  - C. Standard cost
  - D. All of the above
3. Sunk costs are \_\_\_\_\_.
- A. Relevant for decision making
  - B. Not relevant for decision making
  - C. Cost to be incurred in future
  - D. Future costs

4. An estimated price, which is expected to be paid by customers for particular market offering is classified as

- A. target price
- B. target cost
- C. outsource price
- D. off shore price

5. A company manufactures three products for which the following details per unit are available

	Product X	Product Y	Product Z
Sales value	\$24,00	\$24	\$45
Direct material cost	\$10	\$8	\$16
Direct labour cost	\$8	\$12	\$ 9
Direct labour hours	4	1,6	6

If the labour hours are restricted in supply, which order of priority should the company adopt when planning its production?

Order of priority

- |    | 1 | 2 | 3 |
|----|---|---|---|
| A. | Y | X | Z |
| B. | Y | Z | X |
| C. | Z | X | Y |
| D. | Z | Y | X |

6. Which of the following best describes a flexible budget?

- A. Budget which shows variable production costs only.
- B. Monthly budget which is changed to reflect the number of days in the month.
- C. Budget which shows sales revenue and costs at different levels of activity.
- D. Budget that is updated halfway through the year to incorporate the actual results for the first half of the year.

7. A Company manufactures and sells one product which requires 8 kg of raw material in its manufacture. The budgeted data relating to the next period are as follows:

	<b>Units</b>
Sales	19,000
Opening inventory of finished goods	4,000
Closing inventory of finished goods	3,000
	<b>Kg</b>
Opening inventory of raw materials	50,000
Closing inventory of raw materials	53,000

What is the budgeted raw material purchases for next period (in kg)?

- A. 141,000
- B. 147,000
- C. 157,000
- D. 163,000

- 8) A company has calculated a \$10,000 adverse direct material variance by subtracting its flexed budget direct material cost from its actual direct material cost for the period.

Which of the following could have caused the variance?

- (1) An increase in direct material prices
- (2) An increase in raw material usage per unit
- (3) Units produced being greater than budgeted
- (4) Units sold being greater than budgeted

- A. 2 and 3 only

B. 3 and 4 only

C. 1 and 2 only

D. 1 and 4 only

8. Which of the following are feasible values for the correlation coefficient?

1 +1.40

2 +1.04

3 0

4 -0.94

A. 1 and 2 only

B. 3 and 4 only

C. 1, 2 and 4 only

D. 1, 2, 3 and 4

9. Cab-Co wishes to maximise the wealth of its shareholders. It has correctly calculated the following measures for the proposed computerised tracking system project:

– The internal rate of return (IRR) is 14%,

– The return on average capital employed (ROCE) is 20% and

– The payback period is four years.

Required:

Which of the following is true?

A. The project is worthwhile because the IRR is a positive value

B. The project is worthwhile because the IRR is greater than the cost of capital

C. The project is not worthwhile because the IRR is less than the ROCE

D. The project is not worthwhile because the payback is less than five years

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(20 marks)

## SECTION B [80 marks]

### Question 1

Corrie Company produces three products, X, Y and Z. The capacity of Corrie's plant is restricted by process Alpha. Process Alpha is expected to be operational for eight hours per day and can produce 1,200 units of X per hour, 1,500 units of Y per hour and 600 units of Z per hour.

Selling prices and material costs for each product are as follows.

<i>Product</i>	<i>Selling price</i>	<i>Material cost</i>	<i>Throughput</i>
	\$ per unit	\$ per unit	\$ per unit
X	150	80	70

Y	130	40	90
Z	300	100	200

Operating costs are \$720,000 per day.

*Required*

- (a). Calculate the profit per day if daily output achieved is 6,000 units of X, 4,500 units of Y and 1,200 units of Z.
- (b). Calculate the TA ratio for each product.
- (c). In the absence of demand restrictions for the three products, advise Corrie's management on the optimal production plan. **(25 marks)**

**[Total 25 Marks]**

### Question 2

- (a) The Beyond Budgeting Round Table (BBRT), an independent research organisation, proposes that budgeting, as most organisations practise it, should be abandoned. Discuss the criticism of beyond budget and state whether it is practical to implement it in your organization. **(15 marks)**
- (b) Giving examples of an organization you are familiar with, Discuss the merits and limitations of zero based budgeting **(10marks)** **[Total 25 Marks]**

### Question 3

BJS Limited produces and sells the following three products:

Product	X	Y	Z
	\$	\$	\$
Selling Price Per Unit	16	20	10
Variable Cost Per Unit	5	15	7
Contribution Per Unit	11	5	3
Budgeted Sales Volume	50,000 units	10,000 units	100,000 units

The company expects the fixed cost to be \$450,000 for the coming year. Assume the sales that arise throughout the year in a constant mix.

**Required:**

- (a) Calculate the weighted average C/S ratio for the Products. **[5 marks]**
- (b) Calculate the break- even sales revenue required. **[10 marks]**
- (c) Calculate the amount of sales revenue required to generate a profit of \$ 600,000. **[7 marks]**
- (d) Draw a multi-product profit- volume chart assuming the budget is achieved. **[8 marks]**

**[Total 30 Marks]**

**END OF EXAMINATION QUESTION PAPER**

0/16 (PM)