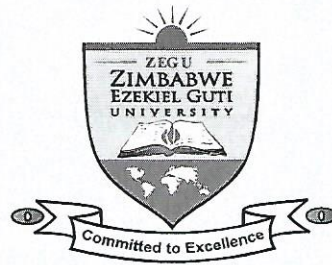


ZIMBABWE EZEKIEL GUTI UNIVERSITY



DEPARTMENT OF ACCOUNTING AND FINANCE

B.COM ACCOUNTING

COURSE: INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

COURSE CODE: CAC107

DURATION: 3 HOURS

22 January 2019

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.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets.

Question One

a. Define the following terms:

- i. Process costing
- ii. Normal loss
- iii. Abnormal loss
- iv. Abnormal gain
- v. Concept of equivalent units

(10 marks)

b. 'No Friction' is an industrial lubricant, which is formed by subjecting certain crude chemicals to two successive processes. The output of process 1 is passed to process 2, where it is blended with other chemicals. The process costs for period 3 were as follows:

Process 1

Material: 3000lb @\$0.25 per kg

Labour: \$120

Process plant time: 12 hours @ \$20 per hour

Process 2

Material: 2000lb @ \$0.40 per kg

Labour: \$84

Process plant time: 20 hours @ \$13.50 per hour

NB: 1lb is equivalent to 0.454kg

General overhead for period 3 amounted to \$357 and is absorbed into process costs on a process labour basis.

The normal output of process 1 is 80% of input, while that of process 2 is 90% of input.

Waste matter from process 1 is sold for \$0.20 per kg, while that from process 2 is sold for \$0.30 per kg.

The output for period 3 was as follows:

Process 1 2,300kg

Process 2 4,000kg

There was no stock or work in process at either the beginning or the end of the period, and it may be assumed that all available waste matter had been sold at the prices indicated.

Required

Show how the foregoing data would be recorded in a system of cost accounts. (15 marks)

[Total: 25 Marks]

Question Two

The Nestle Co. is a manufacturer of breakfast meals. In 2017, it employed an average of 80 staff members. During 2018, the business recruited 12 staff members to replace 15 who left.

Required:

- a. Define the term labor turnover. (2 marks)
- b. Calculate the labor turnover for Nestle Co. for the above period. (3marks)
- c. List and explain the possible causes of labor turnover. (15 marks)
- d. What are the effects of labor turnover to an organisation. (5 marks)

[Total: 25 marks]

Question Three

The following budgeted information relates to a company that sells one product.

	January 2018	February 2018
Sales	18,000	32,000
Production	25,000	25,000

	\$
Selling price per unit	16
Cost per unit:	
Material	5
Direct labour	3
Variable production cost	2
Fixed production costs \$75,000 per month	

There is no opening stock and company policy is to absorb fixed overheads on the basis of direct labour cost.

Required:

- a. Prepare profit and loss statements for the months of January and February on the basis of:
 - i. Marginal costing
 - ii. Absorption costing.

Account for the differences in profit figures between the two methods. (12 marks)

- b. Calculate the stock valuation at the end of January under each method. (4 marks)
- c. Explain the advantages of absorption costing over marginal costing in profit reporting. (3 marks)
- d. List the situations in which marginal costing, as a technique, aids decision making.

(6 marks)

[Total: 25 marks]

Question Four

During the month of March, the following were the purchases and sales of XYZ Ltd

March	Receipts		Sales	
	Quantity (kg)	Price/kg(\$)	Quantity (kg)	Price/kg(\$)
1	100	2		
5			60	5
8	80	2.50		
12	40	3		
14			80	5
21	50	3.50		
25			100	6
28	100	4		
31			100	6

Required:

- a. Prepare the trading accounts for the month of March showing the gross profit if closing stock is valued on each of the following bases: FIFO and AVCO. (15 marks)
- b. Clearly outline the benefits and drawbacks of each of the above methods. (10 marks)

[Total 25 marks]

End of Paper