



ZIMBABWE

EZEKIEL GUTI

UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 107
COURSE TITLE : INTRODUCTION TO COST AND
MANAGEMENT ACCOUNTING
DURATION : 3 Hours
DATE : 14 NOV 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 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. While transporting raw material to the factory, it's expected that a small quantity of raw material will get damaged. What type of loss is that?
 - A. Normal loss
 - B. Abnormal loss
 - C. Recoverable loss
 - D. Irrecoverable loss

2. Marginal costing approach considers fixed manufacturing overhead as:
 - A. Product cost
 - B. Marginal cost
 - C. Period cost
 - D. Variable cost

3. The point at which total ordering cost is equal or almost equal to total carrying cost of goods is referred to as:
 - A. Minimum stock level
 - B. Maximum stock level
 - C. ECQ or Economic ordering quantity
 - D. Reorder level

4. Which of the following should be classified as a production cost incurred by a manufacturing company?
 - A. Commission & Bonus pay to salesman
 - B. Office administration expenses
 - C. Promotional and advertisement expenses
 - D. Wages & Salaries to the workers that pack and inspect goods

5. All of the following are methods of the joint product's cost allocation at the split-off point Except:
 - A. Market value Method
 - B. Physical Quantity Ratio method
 - C. Hypothetical Market Value method
 - D. Quantity of material method

6. Which of the following organizations is more likely to use ABC or Activity Based Costing?
 - A. Manufacturing organization
 - B. Service organization
 - C. Government organisation
 - D. None of the above

7. Classification by the nature of expenditures such as direct labour, material, Factory overhead etc. is called:
 - A. Objective classification

- B. Classification by cost or expense behaviour
 - C. Subjective classification
 - D. Classification by unit cost
8. Which of the following documents will be used to record the issuance of material from store to the production department?
- A. Purchase requisition note
 - B. Material requisition
 - C. Bin card
 - D. Store ledger card
9. Which of the following uses comparatively more allocation bases for the allocation of manufacturing overhead?
- A. Activity-based costing
 - B. Marginal costing
 - C. Absorption costing
 - D. Process costing
10. Identify the double entry passed when labour is charged to a specific production department's manufacturing cost
- A. DEBIT = Work in process a/c, CREDIT = Cost of finished goods
 - B. DEBIT = Work in process a/c, CREDIT = Payroll a/c
 - C. DEBIT = Payroll a/c, CREDIT = WIP A/C
 - D. DEBIT = Manufacturing overhead, CREDIT = Work in process
11. Which one of the following costs is associated with replacing rather than retaining workers because of high worker turnover?
- A. Provision of motivation factors
 - B. Improving work conditions
 - C. Introduction of Premium remuneration Plans
 - D. Increasing the probability of learning curve effect
12. Assumes that Normal loss is estimated at 5% of total input, 100 kg input put into a process and got 100 kg output. What is the value of Abnormal loss or gain?
- A. 5 kg abnormal loss
 - B. 10 kg abnormal loss
 - C. 5 kg abnormal gain
 - D. 10 kg abnormal gain
13. Which of the following is the treatment of abnormal loss in a production process?
- A. Charged to Fixed Overheads or factory overhead control a/c
 - B. Charged to a specific job or work in process a/c
 - C. Ignored in cost accounting
 - D. Divided by the total units manufactured
14. Total cost of a product is RTGSS\$10,000 and Profit is 25% on Selling Price, Profit is:
- A. RTGSS\$ 2,500
 - B. RTGSS\$ 3,000
 - C. RTGSS\$ 3,333
 - D. RTGSS\$ 2,000

15. Calculate the prime cost from the following information:

Direct material purchased: RTGS\$ 100,000

Direct material consumed: RTGS\$ 90,000

Direct labour : RTGS\$ 60,000

Direct expenses : RTGS\$ 20,000

Manufacturing overheads: RTGS\$ 30,000

- A. RTGS\$ 180,000
- B. RTGS\$ 200,000
- C. RTGS\$ 170,000
- D. RTGS\$ 210,000

[Total: 30 marks]

SECTION B

Answer all questions in this section.

Question One

'Milk is separated into cream and skim. Skim, once treated as a waste product is now commonly classified as a by-product, because of the demand for powdered products. The growing demand for skimmed milk created by the 'slimming industry' may raise skim to the status of a joint product in the near future.' - H Randall 3rd Edition pp 372.

Required:

- a. Define the term process costing and identify three instances where it is applicable. (5 marks)
- b. In process costing how do the stages of waste product, by-product and joint-product represent changes in a product's importance to a manufacturer? (8 marks)
- c. Examine three methods of apportioning of apportioning joint costs to joint products, bringing out the advantages and disadvantages of each. (12 marks)

[Total: 25 marks]

Question Two

Phiri Products Ltd manufactures goods which could involve any or all of three production departments. These departments are simply entitled A, B and C. A direct wages cost percentage absorption rate for the recovery of production overheads is applied to individual job costs.

Details for the company's budgets for the year ended 31 March 2020 are as follows:

	Dept. A	Dept. B	Dept. C
Indirect materials	RTGS\$ 23,000	RTGS\$ 35,000	RTGS\$ 57,000
Indirect wages	RTGS\$ 21,000	RTGS\$ 34,000	RTGS\$ 55,000
Direct wages	RTGS\$ 140,000	RTGS\$ 200,000	RTGS\$ 125,000
Direct labour hours	25,000	50,000	60,000
Machine hours	100,000	40,000	10,000

The following information is also available for the production departments:

	Dept. A	Dept. B	Dept. C
Area (square metres)	30,000	20,000	10,000
Purchases	RTGS\$ 220,000	RTGS\$ 160,000	RTGS\$ 20,000
Horse power of machinery	55	30	15
Other budgeted figures are	RTGS\$		
Power	120,000		
Rent, rates, light, heat	90,000		
Insurance (machinery)	20,000		
Depreciation	80,000		

Machinery is depreciated on the basis of 20% on cost.

Job No. 347 passed through all three departments and incurred the following actual direct costs and times.

	Direct Material	Direct Wages	Direct Labour Hours	Machine Hours
	RTGS\$	RTGS\$		
Dept. A	152	88	35	60
Dept. B	85	192	90	30
Dept. C	52	105	45	10

A sum amounting to 30% of the production cost is added to every job to enable a selling price to be quoted.

Required:

- a. A statement to show the total production overheads per department and calculate the absorption rate which the company has adopted. (16 marks)
- b. Calculate the selling price to be quoted for Job No. 347. (3 marks)
- c. Using the available data, calculate absorption rates based on
 - i. Direct labour hour rate. (3 marks)
 - ii. Machine hour rate. (3 marks)

[Total: 25 marks]

Question Three

- a. Describe the role of the cost accountant in a manufacturing organization. (8 marks)
- b. Explain whether you agree with each of the following statements:
 - i. 'all direct costs are variable';
 - ii. 'variable costs are controllable and fixed costs are not';
 - iii. 'sunk costs are irrelevant when providing decision-making information'.

(12 marks)

[Total: 20 marks]

End of Paper