



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL
MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CAC111
COURSE TITLE : MANAGEMENT ACCOUNTING FOR BUSINESS
DURATION : 3 Hours
LEVEL : 1.1
DATE : 26 NOV 2024

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. Non programmable calculators are allowed in the examination.
5. Graph paper
6. The number of marks for each question or part question is shown in brackets []

Question 1

Murenga Corporation is considering launching a new product line. The initial investment is \$500,000. The product is expected to generate cash inflows of \$150,000 annually for 5 years. The company's required rate of return is 10%.

Required:

- a) Calculate the Net Present Value (NPV) of the project. **(7marks)**
- Use the present value of annuity factor for 5 years at 10% = 3.7908.
- b) Determine the Internal Rate of Return (IRR) of the project. **(3marks)**
- c) Analyse whether the project should be accepted based on the NPV and IRR results. Justify your decision. **(5marks)**
- d) Evaluate the potential risks associated with the new product line and suggest strategies to mitigate these risks. **(5marks)**

[Total 20marks]

Question 2

You are tasked with managing a construction project with several interconnected activities. Using the Critical Path Method (CPM), identify the critical path for the project given the following activity durations and dependencies:

Activity A: 5 days (precedes B, C)

Activity B: 3 days (precedes D)

Activity C: 4 days (precedes D)

Activity D: 2 days

Required:

- a) Calculate the earliest start time, earliest finish time, latest start time, latest finish time, and slack time for each activity. **(10marks)**
- b) Discuss the implications of the critical path for project scheduling and completion. **(10 marks)**

[Total 20marks]

Question 3

- a) A company's standard labour rate is \$15 per hour. The standard labour hours for producing one unit of product A is 3 hours. During the month, the company produced 1,500 units of product A and incurred 4,800 labour hours at an actual rate of \$16 per hour.

Required:

- (i) Calculate the labour rate variance and labour efficiency variance. **(10marks)**
- (ii) Discuss the possible reasons for the labour rate variance and labour efficiency variance. **(5marks)**
- (iii) How can the company use this information to improve its cost control measures? **(5marks)**

[Total 20 Marks]

Question 3

- b) A company's standard material cost for one unit of product B is \$20. The company produced 2,000 units of product B during the month and used 40,000 kgs of material at an actual cost of \$19 per kg.

Required:

- (i) Calculate the material price variance and material usage variance. **(10marks)**
- (ii) Evaluate the impact of the material price variance and material usage variance on the company's overall budget performance. **(5marks)**
- (iii) Suggest potential strategies the company could implement to mitigate these variances in the future. **(5marks)**

[Total 20marks]

Question 4

Evaluate the importance of investment appraisal techniques to a shoe manufacturer.

[Total 20marks]

END OF EXAMINATION QUESTION PAPER