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GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES

EXAMINATION PAPER

COURSE CODE : CAC 111
COURSE TITLE : MANAGEMENT ACCOUNTING FOR BUSINESS
SPECIAL REQUIREMENTS : **SCIENTIFIC CALCULATORS IS ALLOWED**
DURATION : 3 Hours
LEVEL : 1.2
DATE :

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer any **FOUR (4)** 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 TWO MARKS)

1. Which ONE of the following costs would be classified as a production overhead cost in a food processing company?
 - A. The direct materials
 - B. The direct labour
 - C. The direct expenses
 - D. All of the above

2. The following is (are) the indirect labour costs;
 - A. Wages paid to storekeeper
 - B. Salary of works managers
 - C. Wages paid to gatekeeper
 - D. All of the above

3. ----- Accounting becomes a source of information for Management Accounting.
 - A. Financial
 - B. Cost
 - C. (A) and (B)
 - D. None of the above

4. Selling price per tonne is \$100, 00, variable cost per tonne is \$50.0 and fixed cost is \$1 000 000. Find the BEP in units;
 - A. 25000
 - B. 21000
 - C. 23000
 - D. 20000

5. Which of the following word DOES NOT describe a main focus of management accounting?
 - A. Planning
 - B. Control
 - C. External
 - D. Decision-making

6. Other Professional Accounting bodies, defines management accounting as: “The application of the principles of accounting and financial management to create, protect,

preserve and increase value for the _____ of for-profit and not-for profit enterprises in the public and private sectors”.

- A. Auditors
- B. Stakeholders
- C. Owners
- D. Customers

7. Which of the following words complete the statement below?

_____ Accounts are prepared for external stakeholders. Management accounts are prepared for _____ stakeholders.

- A. Shadow, Internal
- B. Financial, Internal
- C. Financial, External
- D. Internal, Budget

8. ABC absorbs fixed production overheads in one of its departments on the basis of machine hours. There were 100,000 budgeted machine hours for the forthcoming period. The fixed production overhead absorption rate was £2.50 per machine hour.

During the period, the following actual results were recorded: Standard machine hours 110,000 .Fixed production overheads \$300,000 Which ONE of the following statements is correct?

- A. Overhead was \$25,000 over-absorbed
 - B. Overhead was \$25,000 under-absorbed
 - C. Overhead was \$50,000 over-absorbed
 - D. No under- or over-absorption occurred
9. Fixed costs are conventionally deemed to be:
- A. Constant per unit of output
 - B. Constant in total when production volume changes
 - C. Outside the control of management
 - D. Those unaffected by inflation

10. X operates a standard marginal costing system. The following budgeted and standard cost information is available:

Budgeted production and sales 10,000 units
Direct material cost – 3 kg x \$10 \$30 per unit
Actual results for the period were as follows:
Production and sales 11,500 units

Direct material – 36,000 kg \$342,000

The direct material price variance is

- A. \$18,000 adverse
- B. \$3,000 adverse
- C. \$3,000 favourable
- D. \$18,000 favourable

11. The costing approach that charges all manufacturing costs to the product is referred to as;

- A. Variable costing
- B. Contribution margin costing
- C. Direct Costing
- D. Absorption costing

12. A company has contribution margin per unit of \$18.00 and a contribution margin ratio of 40%. What is the unit selling price?

- A. \$30.00
- B. \$45.00
- C. \$7.20
- D. \$25.20

13. 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

14. An order size that minimises inventory Ordering and carrying costs;

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

15. An inventory pricing procedure in which the oldest costs incurred rarely have an effect on the ending inventory valuation is

- A. FIFO
- B. LIFO
- C. Base stock

D. Weighted –Average

(TOTAL 30 MARKS)

SECTION B (ANSWER ALL QUESTIONS IN THIS SECTION)

Question one

The following data relates to White ltd, A Company which sells its products to Regional markets in Southern Africa,

Depreciation ;Factory Machinery	\$1 900,00
Depreciation; Office Machinery	\$1 000,00
Canteen cost (2/3 works in production)	\$3 000,00
Travelling expenses for sales staff	\$1 450,00
Haulage cost on Raw materials	\$2 000,00
Wages and salaries ;Factory (70% is direct in production and 30% to factory supervisor)	\$110 000,00
Administration staff salary	\$36 000,00
Royalties	\$800,00
Other factory indirect expenses	\$29 500,00
Other Administration expenses	\$42 000,00
Other Distribution expenses	\$32 500,00
Raw materials-inventory at start of the year	\$60 000,00
Purchases	\$200 000,00
Inventory at end of the year	\$80 000,00

Required

Prepare a cost sheet statement of Dombo ltd clearly showing;

- a) Prime cost [12]
- b) Total Factory Overheads [6]
- c) Total Production cost [2]

[Total 20 marks]

Question two

(a) Black ltd international, Manufactures TV sets, it uses special types of tubes in the manufacturing of tv sets. Details of their operations during the year are as follows;

Normal weekly usage is 200 tubes

Clerical cost of placing an order is \$100 per order

Inventory holding costs per annum is \$120

Required

Calculate EOQ {5}

(b) Maximum usage 70kg per day

Minimum usage 30 kgs per day

Lead time 10-14 days

EOQ 4000KGS

Required

Calculate three normal levels of controlling inventory [9]

(c) Stores data for part number 5 for December 2018 are as follows;

Date	Receipts	Purchase price /unit	Issues
01/12/18	300units	\$4.00	
05/12/18	200 units	\$4.50	
06/12/18			160 units
12/12/18			200 units
20/12/18	180units	\$4.80	
24/12/18			160 units

Required

Calculate the value for inventory for part number 5 as at 31/12/18 using the;

FIFO method [11]

[Total 25 marks]

Question three

	P1	P2	P3
Machine hours	12000	2200	13000
Labour hours	9000	15000	8500
Allocated overheads	15040	23085	28874

Product X has

Direct Materials 100

Direct labour p1 10 hrs @ 16 per hour

P2 15hrs @ 14 per hour

P3 12 hrs @ 10 per hour

Machine hours – p1 =20hours

P2 =12 hours

P3 =14 hours

Required

- (i) Identify the appropriate Absorption base for each production cost for each department [3]
- (ii) Determine the OAR for each department [3]
- (iii) Calculate the production cost of the above production using Overhead Absorption Rate in (ii) above. [8]

(b) Using high –low method, calculate the cost per unit from the following information [6]

Month	Units produced	Total cost
Jan	20000	100000
Feb	22000	108000
Mar	24000	116000
April	26000	124000

(c) State any five (5) assumptions of EOQ [5]

[Total 25 marks]

END OF EXAMINATION