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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 **NOT** be classified as a production overhead cost in a food processing company?

- A. The cost of renting the factory building
- B. The salary of the factory manager
- C. The depreciation of equipment located in the materials store
- D. The cost of ingredients

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 \$69, 50, variable cost per tonne is \$35.50 and fixed cost is \$1 802 000. Find the BEP in units;

- A. 49000
- B. 51000
- C. 53000
- D. 55000

5. Which of the following words **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

SECTION B

(ANSWER ALL QUESTIONS IN THIS SECTION)

Question one

(a) State 5 characteristics of a good Management Accounting information. [5]

(b) Briefly outline the key differences between financial accounting and management accounting with specific reference to each of the following matters in the context of financial accounting and management accounting:

- I. Users [5]
- II. Reporting frequency [5]
- III. Format [5]
- IV. Time orientation [5]

{Total 25 marks}

Question two

(a) State five (5) assumptions associated with EOQ. [5]

(b) Calculate the EOQ for the following information and also state the number of orders to be placed in a year;

Consumption of material per annum is 40000kg, order placing cost per order is \$100,00, cost per kg of raw materials is \$4,00, storage cost is 8% of raw materials cost per order, [5]

(c) Maximum Usage is 280 kgs per day

Minimum Usage is 120kgs per day

Lead time 20-26 days

EOQ IS 5000KGS

Calculate all the three (3) normal levels of controlling inventory [5]

[Total 15 marks}

Question three

(a) The following information is available for Muchena ltd for the months of July and August 2019:

	July	August
Production (units)	13,000	15,000
Sales (units)	12,000	16,000
Direct materials	\$29,250	\$33,750
Direct labour	\$19,500	\$22,500
Variable production overheads	\$7,800	\$9,000
Selling and administrative expenses	\$45,200	\$57,600

- **Additional information:**

- 1. For Muchena Limited has budgeted production of 15,000 units and fixed overheads of \$29400 per month.
- 2. Actual Fixed production overheads are \$29,400 per month.
- 3. The company sells ‘the Storax’ for \$20 each.
- 4. the selling and administration expenses include both the variable and fixed component
- 5. At 30 June the company had no ‘Storax’ accessories in its warehouse.

Prepare profit statements for Muchena Limited for the months of July and August using:

- (i) Marginal /Variable costing system [12]
(ii) Absorption costing [12]

(b) Explain any three types of budgets stating their uses in the Organisation. [6]

[Total 30 marks]

END OF EXAMINATION