



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

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**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING**

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**DEPARTMENT OF ACCOUNTING AND FINANCE**

**EXAMINATION PAPER**

**COURSE CODE** : CAC111  
**COURSE TITLE** : MANAGEMENT ACCOUNTING FOR BUSINESS  
**SPECIAL REQUIREMENTS** : Non-programmable Calculators  
**DURATION** : 3 Hours  
**LEVEL** : 1.2  
**DATE** : 22 JAN 2020

**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. The number of marks for each question or part question is shown in brackets [ ]

## SECTION A

1. Name any two types of cost which are associated with inventory.
  - (a) Fixed and variable cost.
  - (b) Direct and indirect cost.
  - (c) Production and non -production cost.
  - (d) Ordering cost and carrying cost.
  
2. Calculate EOQ from the following information. Demand per annum 1000kgs, order cost per order \$50, 00, cost of kg per raw materials \$2, 00, storage cost 8% of raw materials cost per kg.
  - (a) 2000kgs
  - (b) 2500kgs
  - (c) 1500kgs
  - (d) 3000kgs
  
3. Using example in number 7 above, basing with your answer, state the number of orders to be placed per year.
  - (a) 1
  - (b) 2
  - (c) 3
  - (d) 4
  
4. From your broad understanding of cost and management accounting, identify ant three levels of inventory control;
  - (a) EOQ, Re-Order level and average usage.
  - (b) Re-order level, EOQ and Maximum level.
  - (c) Re-order level, minimum level and EOQ.
  - (d) Re-order level, level and maximum level.
  
5. Maximum usage is 280kgs per day , Minimum usage is 60kgs per day and lead time 20-26 days and EOQ is 4000kgs .What is the Re-order level?
  - (a) 7280kgs
  - (b) 7400kgs
  - (c) 5600kgs
  - (d) 3640kgs
  
6. From the information above in question 10, what is the Minimum level?
  - (a) 1340kgs
  - (b) 3080kgs
  - (c) 3370kgs
  - (d) 5760kgs
  
7. Using the information from question 10 above, what is the Maximum level?
  - (a) 10080kgs
  - (b) 4000kgs

- (c) 3370kgs
- (d) 5600kgs

8. When calculating the value of inventory using FIFO method, Issues are priced at;

- (a) Price of the most recent batch
- (b) At the latest average price taking into consideration quantity and price.
- (c) At the price of the oldest batch in stock until all units is issued out.
- (d) At recalculated average price whenever new batch is received.

9. When apportioning overheads, the basis of apportionment heating and lighting and Factory rent are;

- (a) Number of employees.
- (b) Kwh
- (c) Value of machinery.
- (d) Floor area occupied.

10. State any two methods used to re –apportion overheads of service departments

- (a) Elimination methods and continuous method
- (b) Weighted average price method and simultaneous method.
- (c) Continuous methods and dis-continuous methods.
- (d) Simultaneous method and prudence concept method.

11. ----- And ----- are examples of cost when it is classified according to cost behaviour.

- (a) Prime cost and product cost.
- (b) Fixed and variable cost.
- (c) Production and non-production cost.
- (d) Indirect and direct cost.

12. The following is a profit and loss for Muchena ltd

Sales	2400
Direct materials	700
Direct wages	400
Fixed price cost	200
Variable production cost	100
Selling and distribution cost	240
Production in units	2400

Determine the total Marginal cost

- (a) 1200
- (b) 600
- (c) 900

(d) 2400

13. Using information in question 17 above, calculate the marginal cost per unit

- (a) 4
- (b) 25
- (c) 1
- (d) 0, 5

14. ----- And ----- are examples of types of standards

- (a) Ideal and basic standards.
- (b) Basic and accounting standards.
- (c) Accounting standards and GAAP.
- (d) Current and international accounting standards.

15. State any two variances that are calculated in business

- (a) Direct material usage variance and direct labour efficiency variance
- (b) Direct materials price variance and cost.
- (c) Fixed overheads volume variance and standard cost.
- (d) Sales volume variance and standard cost.

{TOTAL 30 MARKS}

### SECTION B (ANSWER ALL QUESTIONS IN THIS SECTION)

1. The following data relates to Dombo Ltd, A Company which sells its products to Southern African Countries,

Depreciation ;Factory Machinery	\$3800,00
Depreciation; Office Machinery	\$2000,00
Canteen cost (2/3 works in production)	\$6000,00
Travelling expenses for sales staff	\$2900,00
Haulage cost on Raw materials	\$4000,00
Wages and salaries ;Factory (70% is direct in production and 30% to factory supervisor)	\$220000,00
Administration staff salary	\$72000,00
Royalties	\$1600,00
Other factory indirect expenses	\$58100,00
Other Administration expenses	\$42000,00
Other Distribution expenses	\$65000,00
Raw materials-inventory at start of the year	\$120000,00
Purchases	\$400000,00
Inventory at end of the year	\$160000,00

**Required**

Prepare a cost sheet statement of Dombo Ltd clearly showing;

- (i) Prime cost

{12}

- (ii) Total Factory Overheads {6}  
 (iii) Total Production cost {2}

{TOTAL 20 MARKS}

2. Stores data for part number 5 for December 2018 are as follows;

Date	Receipts	Purchase price /unit	Issues
01/12/18	150 units	\$4.00	
05/12/18	100 units	\$4.50	
06/12/18			80 units
12/12/18			100 units
20/12/18	90 units	\$4.80	
24/12/18			80 units

**Required**

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

- (i) FIFO method {8}  
 (ii) LIFO method {8}  
 (iii) Average price method {9}

{TOTAL 25 MARKS}

3. The following data relates to the monthly output and related cost for only Clean plc ,a soap manufacturing company

Month	Activity (units)	Total Costs
May	10000	50000
June	11000	54000
July	12000	58000
August	13000	62000

**Required**

- (a) Calculate the (i) Variable cost per unit {4}  
 (ii) Fixed cost {3}

3. (b) A company makes a single product with a sales price of \$10, 00 and direct cost and direct labour is \$3,00 and \$3,00 per unit respectively. Fixed cost are 60000 per annum.

Calculate

- (i) Number of units to Break even {4}
- (ii) Break even in sales value {4}

**3. (c) A Company makes a product (single) with a sale price of \$20, 00 per unit and direct materials required per each unit is 2kgs and materials are purchased at \$4, 00/kgs. Direct labour is paid at a rate of \$2/hr and each unit requires 3 hours of labour, fixed cost are 60000per annum.**

**Required**

Calculate the BEP in units and sales value {10}

**{TOTAL 25 MARKS}**

**{END OF PAPER}**