ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELIGENCE AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND HUMAN CAPITAL DEVELOPMENT

EXAMINATION PAPER

COURSE CODE	:	CAC223
COURSE TITLE	:	COST AND MANAGEMENT ACCOUNTING
DURATION	:	3 Hours
LEVEL	:	2.2
DATE	:	09 JUN 2026

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer **all** questions in **Section A and Section B.**
3. Begin each question on a new page for Section B only.
4. The number of marks for each question or part question is shown in brackets [ ]
5. Use of silent non-programmable calculators is allowed

SECTION A [20 Marks]

ANSWER ALL QUESTIONS. Each question carries two marks.

SELECT THE MOST APPROPRIATE ANSWER

1. Simba Ltd uses the standard costing system. During the month of May 2003 the following information was provided

	Standard cost per unit based on a budgeted output of 12 000 units	Actual cost of 12 500 units produced
Direct material	6.1 metres @ $5 50 per metre	73 750 metres costing $427 750
Direct labour	2.75 hours @ $15 per hour	31 250 hours @ $16. 20 per hour

What is the difference between the standard and actual direct labour costs of producing 12 500 units?

A $3 125 adverse

B $9 375 fovourable

C $10 250 favourable

D $11 250 adverse

2. Following is used as tool for Cost Control

(a) Marginal cost

(b) Historical cost

(c) Standard cost

(d) All of the above

3.An estimated price, which is expected to be paid by customers for particular market offering is classified as

A. target price
B. target cost
C. outsource price
D, off shore price

4 A company manufactures three products for which the following details per unit are available

	Product X	Product Y	Product Z
Sales value	$24,00	$24	$45
Direct material cost	$10	$8	$16
Direct labour cost	$8	$12	$ 9
Direct labour hours	4	1,6	6

If the labour hours are restricted in supply, which order of priority should the company adopt when planning its production?

Order of priority

	1	2	3
A.	Y	X	Z
B.	Y	Z	X
C.	Z	X	Y
D.	Z	Y	X

5. A set of budgeted final accounts The table below shows a company 's estimated sales.

	Cash	credit
	$	$
January	100 000	150 000

February	100 000	250 000
March	100 000	350 000

Debtors are expected to pay as follows;

60% in the month following sale

40% in the second month following sale,

How much cash from sales is expected in March?

A. $100 000

B, $160 000

C. $210 000

D. $310 000

6. A company invests in a project which costs $300 000. The project will yield annual profits of $90 000 for the next 4 years after providing annual depreciation of $15 000

What is the payback period?

A. 2 years

B. 2,86 years

C. 3,33 years

D. 4 years

7. A business uses different investment appraisal techniques for appraising projects.

Which statement is correct?

a. Projects with a negative net present value should be accepted

b. The internal rate of return for an acceptable project always gives a net present value of zero

c. Use of the payback period methods always considers the time value of money

d. Use of the payback period method can lead to projects with negative net present value being selected

8. In an ABC system, which of the following is likely to be classified as a batch level activity?

A. Machine set-up

B. Product design

C. Inspection of every item produced

D. Production manager's work

9. The following data has been extracted from the budget working papers of BL Ltd:

	Production volume	
	1,000	2,000
	$/unit	$/unit
Direct materials	4.00	4.00
Direct labour	3.50	3.50
Production overhead department 1	6.00	4.20
Production overhead department 2	4.00	2.00

	Total fixed cost	Variable cost/unit
	$	$
A.	3,600	9.90
B.	4,000	11.70
C.	7,600	7.50
D.	7,600	9.90

10. Activity-based costing is:

A. a method of total costing which attributes costs to cost units using multiple activity drivers;

B. a method of costing which is used to recognise the effects of changes in output activity and their effect on total costs;

C. a method of costing which is used to calculate the cost per unit in organisations which have only one single activity;

D. a method of cost accounting which derives unit costs according to planned outputs.

SECTION B [80 Marks]

ANSWER ALL QUESTIONS. Begin each question on a new page.

Question 1

WX CO. manufactures two products A and B. both products pass through two production departments, mixing and shaping. The organization objective is to maximize contribution to fixed costs.

Product A is sold for \$1.50 where product B is priced at \$2.00. There is unlimited demand for product A but demand for B is limited to 13 000 units per annum. The machine hours available in each department are restricted to 2 400per annum. Other relevant data are as follows.

Machine hours required	Mixing (Hrs.)	Shaping (Hrs.)
Product A	0.06	0.04
Product B	0.08	0.12

The variable cost per unit for A is \$1.30 and for Product B is \$1.70

Required

Determine the optimal production using linear programming.

(20 marks)

Identify external users and internal users of financial information and briefly describe their information needs **[5]**

Total [25 marks]

Question 2

Hwayana Ltd manufactures and sells a single product. The budgeted profit statement for this month, which has been prepared using marginal costing principles, is as follows:

	$	$
Sales		864,000
Less Variable production cost of sales:		
Opening inventory (3,000 units)	69,000	
Production (22,000 units)	506,000	
Closing inventory (1,000 units)	(23,000)	(552,000)
		312,000
Less Variable selling costs		(60,000)
Contribution		**252,000**
Less Fixed overhead costs:		
Production	125,000	
Selling and administration	40,000	(165,000)
Net Profit		**87,000**

The normal monthly level of production is 25,000 units and inventory is valued at standard cost.

Required:

a) Prepare in full a budgeted profit statement for this month using absorption costing principles. Assume that fixed production overhead costs are absorbed using the normal level of activity.**[10]**

b) Prepare a statement that reconciles the net profit calculated in (a) with the net profit using marginal costing. **[5]**

c) Distinguish between variable costing and absorption costing **[10]**

d) Explain why the absorption costing statement produces a different profit figure to the marginal costing statement.**[5]**

[Total 30marks]

Question 3

A company manufactures and sells a single product that has the following cost and selling price structure:

	$/unit	$/unit
Selling price		120
Direct material	22	
Direct labour	36	
Variable overheads	14	
Fixed overheads	12	(84)
Profit per unit		**36**

The fixed-overhead absorption rate is based on the normal capacity of 2,000 units per month. Assume that the same amount is spent each month on fixed overheads.

Budgeted sales for next month are 2,200 units.

You are required to:

a) Calculate

(i) The breakeven point, in sales units per month **[5]**

(ii) The margin of safety for next month **[4]**

(iii) The budgeted profit for next month **[3]**

(iv) The sales required to achieve a profit of $96,000 in a month **[3]**

b) Discuss the usefulness of dividing costs into variable and fixed components in the context of short-term decision-making **[10]**

[Total 25marks]

END OF EXAMINATION

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