



ZIMBABWE EZEKIEL GUTI UNIVERSITY

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTING**

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 111
COURSE TITLE : MANAGEMENT ACCOUNTING FOR BUSINESS
SPECIAL REQUIREMENTS :
DURATION : 3 Hours
LEVEL : 1.2
DATE : 18 AUG 2021

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: 18 AUG 2021
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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

Answer all questions in this section. Each question carries 2 marks.

Select the most appropriate answer

1. Which of the following becomes a source of information for Management Accounting.

- A. Financial
- B. Management
- C. (A) and (B)
- D. None of the above

2. Which of the following word describe a main focus of management accounting?

- A. Inovative
- B. Investors
- C. External
- D. Decision-making

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

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

4. 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

5. An order size that minimizes inventory Ordering and carrying costs;

- A. Order point
- B. Safety stock
- C. Optimal Order Quantity
- D. EQQ

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

- A. FIFO

B.LIFO

C. Base stock

D. Weighted Average

7. Which of the following would explain a labour efficiency planning variance?

- (1) A change in employment legislation requiring staff to take longer rest periods
- (2) Customers demanding higher quality products leading to a change in product design
- (3) The learning effect for labour being estimated incorrectly in the production budget

A 1 and 2 only **B** 2 and 3 only **C** 3 only **D** 1, 2 and 3

8. Which of the following are benefits of budgeting?

- 1 It helps coordinate the activities of different departments
- 2 It fulfils legal reporting obligations
- 3 It establishes a system of control
- 4 It is a starting point for strategic planning

A 1 and 4 only **B** 1 and 3 only **C** 2 and 3 only **D** 2 and 4 only

9. A company always determines its order quantity for a raw material by using the Economic Order Quantity (EOQ) model.

What would be the effects on the EOQ and the total annual holding cost of a decrease in the cost of ordering a batch of raw material?

	EOQ	Annual holding cost
A	Higher	Lower
B	Higher	Higher
C	Lower	Higher
D	Lower	Lower

10. A manufacturing company operates a standard absorption costing system. Last month 25,000 production hours were budgeted and the budgeted fixed production cost was

\$125,000. Last month the actual hours worked were 24,000 and standard hours for actual production were 27,000.

What was the fixed production overhead capacity variance for last month?

A \$5,000 Adverse B \$5,000 Favourable C \$10,000 Adverse D \$10,000 Favourable

11. Which of the following statements relating to management information are true?

1. It is produced for parties external to the organisation
2. There is usually a legal requirement for the information to be produced
3. No strict rules govern the way in which the information is presented
4. It may be presented in monetary or non-monetary terms

A 1 and 2 B 3 and 4 C 1 and 3 D 2 and 4

12. The purchase price of an item of inventory is \$25 per unit. In each three month period the usage of the item is 20,000 units. The annual holding costs associated with one unit equate to 6% of its purchase price. The cost of placing an order for the item is \$20.

What is the Economic Order Quantity (EOQ) for the inventory item to the nearest whole unit? A 730 B 894 C 1,461 D 1,633.

13. Danger level = Normal consumption X _____

- A Reorder period
- B Maximum reorder period
- C Maximum reorder period I emergency
- D Maximum reorder period

14. The following budgeted information relates to a manufacturing company for next period:
Units \$ Production 14,000 Fixed production costs 63,000 Sales 12,000 Fixed selling costs 12,000
The normal level of activity is 14,000 units per period. Using absorption costing the profit for next period has been calculated as \$36,000.

What would be the profit for next period using marginal costing?

A \$25,000 B \$27,000 C \$45,000 D \$47,000

15 The costing approach that charges all manufacturing costs of a product is referred to as;

A Variable cost

B Contribution margin costing

C Direct costing

D Absorption costing

(Total 30 marks)

Section B

Answer all questions from this section

Question One

- a) Briefly explain five assumptions of the cost-volume-profit (CVP) analysis. [5 marks]
- b) Outline the key aspects of cost-volume-profit (CVP) analysis including important terms and formulae specifically used and the information that CVP analysis may provide to a business concern. [10 marks]
- c) Minimum usage 80 kgs per day, maximum usage 180kgs per day, Lead time 20-26 days and EOQ 5000 kgs. Calculate the **three** normal levels of controlling stock. [10 marks]

[Total 25 marks]

Question Two

The following information is available for Pasipanodya Ltd for the months of July and August:

	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:

Question Three

Simao Ltd has the following standard cost card, Direct Material (0.7m @\$35 per metre), Direct Labour (2 hrs @\$18/Labour hour), Variable Overheads (2 hrs @\$2 Labour hour) and Fixed overheads (2hrs@\$5 per hour.

The budgeted production and sales volume was 640 units.

The actual results for April for 700 units are set out as follows

▶ Sales(700 units)	100 000
▶ Direct Material(525 metres used)	24 135
▶ Direct Labour (1350 hours worked)	27 275
▶ Variable Overheads(1350 hours)	5 600
▶ Fixed overheads	<u>9 500</u>
▶ Profit	<u>33 490</u>

Required

- State the three types of standards [3 marks]
- Calculate the standard cost of producing one unit [5 marks]
- Determine the selling price if the company requires a markup of 1/3 on cost [3 marks]
- Prepare seven relevant variances for Simao Ltd [14 marks]

[Total 25 marks]

END OF EXAMINATION QUESTION PAPER