



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING
BACHELOR OF COMMERCE HONOURS DEGREE IN MARKETING

PART II FIRST SEMESTER EXAMINATION

MANAGEMENT AND COST ACCOUNTING 1 [BAC2105]
COST AND MANAGEMENT ACCOUNTING [BMA2105]

DECEMBER 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** QUESTIONS
2. Begin each question on a new page.
3. Please indicate the study format (Conventional/Block/Parallel) on the cover of your answer script.

INFORMATION

1. Marks per question are as indicated.
2. Questions may be attempted in any order.

This paper consists of five printed pages including the cover page

QUESTION 1 [30 MARKS]

- 1.1. Which of the following is NOT typically a function of management accounting?
- A. Cost analysis and control.
 - B. Budgeting and forecasting.
 - C. External financial reporting.
 - D. Performance measurement and evaluation.
- [2 Marks]**
- 1.2. Which of the following costs is considered a variable cost?
- A. Rent expense for factory space
 - B. Salaries of production supervisors
 - C. Direct materials used in production
 - D. Depreciation on manufacturing equipment.
- [2 Marks]**
- 1.3. What type of information is typically emphasized in management accounting compared to financial accounting?
- A. Historical financial performance
 - B. Predictive and future-oriented data
 - C. Compliance with accounting standards
 - D. Summary of financial position.
- [2 Marks]**
- 1.4. How do cost centres typically differ from profit centres?
- A. Cost centres focus on revenue generation, while profit centres focus solely on cost control.
 - B. Cost centres do not have control over revenue and only focus on costs, whereas profit centres are responsible for both costs and revenues.
 - C. Cost centres are only found in manufacturing companies, while profit centres are found in service companies.
 - D. Cost centres report directly to external stakeholders, while profit centres report only to internal management.
- [2 Marks]**
- 1.5. A production facility incurs the following costs: direct materials = \$55,000, direct labour = \$35,000, manufacturing overhead = \$20,000. What is the total manufacturing cost?
- A. \$90,000
 - B. \$100,000
 - C. \$110,000
 - D. \$120,000.
- [2 Marks]**
- 1.6. How does effective inventory control contribute to financial performance in an organization?
- A. By increasing the quantity of inventory on hand
 - B. By reducing operating costs and improving cash flow through better inventory turnover
 - C. By eliminating the need for financial reporting

- D. By focusing solely on increasing sales revenue. **[2 Marks]**
- 1.7. Which statement about controllable or non- controllable costs is true?
A. All fixed costs are considered non-controllable.
B. Controllable costs can vary depending on the level of production.
C. Non-controllable costs can always be eliminated by management.
D. Controllable costs are only relevant for short-term decision-making. **[2 Marks]**
- 1.8. An employee earns \$20 per hour as a base rate. If they work 38 hours of regular time and 12 hours of overtime at a rate of 1.75 times their base rate, what is their total earnings for the week?
A. \$760
B. \$900
C. \$1,020
D. \$1,140. **[2 Marks]**
- 1.9. When implementing Activity-Based Costing, which of the following steps comes first?
A. Assign costs to cost pools based on activities
B. Identify the activities performed in the organization
C. Determine the activity drivers for each cost pool
D. Calculate the overhead rate for each activity. **[2 Marks]**
- 1.10. In a service organization, how is the cost of service delivery typically treated?
A. It is expensed in the period incurred without allocation.
B. It is allocated to specific clients based on service hours.
C. It is averaged across all clients regardless of the services provided.
D. It is only applied to direct costs without considering overhead. **[2 Marks]**
- 1.11. If the contribution/sales ratio for a product is 25% and the selling price is \$80, what are the variable costs per unit?
A. \$60
B. \$70
C. \$75
D. \$80. **[2 Marks]**
- 1.12. Which of the following factors would NOT affect the breakeven point of a company?
A. Changes in fixed costs
B. Changes in variable costs per unit
C. Changes in the selling price per unit
D. Changes in the company's market share. **[2 Marks]**
- 1.13. How can a company increase its margin of safety?
A. By increasing fixed cost
B. By increasing the breakeven point

- C. By increasing sales revenue without a corresponding increase in fixed costs
- D. By decreasing the selling price of its products. **[2 Marks]**

- 1.14. Which of the following is a potential disadvantage of using a simple allocation method for overhead costs?
- A. It may lead to over-costing of some products and under-costing of others.
 - B. It simplifies the costing process for all departments.
 - C. It ensures that all costs are accurately captured
 - D. It increases the overall overhead costs. **[2 Marks]**

- 1.15. Which of the following concepts relates to the classification of costs as either fixed or variable?
- A. Cost behaviour analysis
 - B. Activity-based costing
 - C. Job order costing
 - D. Standard costing. **[2 Marks]**

QUESTION 2 [20 MARKS]

- a) Explain the following terms:
- i. Cost accounting. **[2 Marks]**
 - ii. Revenue centre. **[2 Marks]**
 - iii. Cost apportionment. **[2 Marks]**
 - iv. Step costs. **[2 Marks]**
 - v. Contract costing. **[2 Marks]**
- b) Outline any five objectives of management accounting. **[10 Marks]**

QUESTION 3 [25 MARKS]

- a) Evaluate any two remuneration methods. **[6 Marks]**
- b) Engine Works Ltd offers specialist engineering services to the car industry. It has two production departments i.e., machining and finishing and a service department which maintain the machinery of both departments. The budgeting software shows that expected production overheads for the forthcoming year are as follows.

Overheads	\$
Buildings insurance	1 320
Heating and lighting	3 720
Supervisors' salary	30 000
Factory cleaning	4 800
Rent and rates	5 520

Insurance and machinery	1 650
Depreciation of machinery	11 000
Maintenance department salaries	23 590

The following additional information is available:

	Machining	Finishing	Maintenance
Floor space (square metres)	300	200	100
Number of employees	6	3	
Carrying amount of machinery	40 000	15 000	

Required

- i. Prepare an analysis of the production overheads showing the basis of allocation and apportionment to the three departments of the business. **[8 Marks]**
- ii. Re- apportion the service department overheads to the production department on the basis of value of machinery. **[5 Marks]**
- iii. The factory works a 35- hour week for 47 weeks each year. Calculate an overhead absorption rate based on direct labour hours for each of the two production departments. **[6 Marks]**

QUESTION 4 [25 MARKS]

- a) Compare and contrast job costing and batch costing. In your answer include their applications, advantages and how they affect financial reporting. **[6 Marks]**
- b) Mike Everest, a manufacturer of cricket bats, has the following monthly costs;
 - Material cost \$8 per bat
 - Labour cost \$12 per bat
 - Selling price \$35 per bat
 - Fixed Overheads \$ 12 000

Required

- i. Prepare a table showing costs, sales revenue, and profit or loss for production of bats in multiples of 100 up to 1200. **[9 Marks]**
- ii. Plot the graph and clearly indicate the break- even point, variable costs, fixed costs, total costs, sales revenue. **[10 Marks]**

END OF EXAMINATION PAPER