



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II FIRST SEMESTER EXAMINATION

MANAGEMENT AND COST ACCOUNTING I [BAC2105]

APRIL 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.
3. Candidates may bring silent non-programmable calculators into the examination

This paper consists of 9 printed pages including the cover page

Section A: MULTIPLE CHOICE: 30 Marks

Each question in this section carries 2 marks

1. Over-absorption of overheads occurs when :
 - A. Actual expenditure is less than budgeted expenditure
 - B. Actual expenditure is more than budgeted expenditure
 - C. Actual production level is less than planned level.
 - D. Actual production level matches planned level
2. Which cost will fall as production is reduced?
 - A. Variable cost per unit
 - B. Total variable cost
 - C. Total fixed cost
 - D. Fixed cost per unit
3. The main object of cost accounting is:
 - A. to record day to day transactions of the business.
 - B. to reveal managerial efficiency.
 - C. to ascertain true costs of products and services.
 - D. to determine tender price.
4. Cost accounting mainly emerged on account of:
 - A. statutory requirement.
 - B. competition in the market.
 - C. labour unrest.
 - D. limitations of financial accounting

5. Costs incurred to convert raw materials into finished goods are:

- A. Direct costs.
- B. Controllable costs.
- C. conversion costs
- D. indirect costs.

A product has the following information provided to enable you to answer question 6 and 7

	\$
Variable cost per unit	30.00
Selling price per unit	60.00
Total fixed costs	75 000.00
Budgeted sales (units)	7 500

6. What is the break- even point in units?

- A. 2 500 units
- B. 5 000 units
- C. 7 500 units
- D .10 000 units

7. What would be the margin of safety?

- A. 2 500 units
- B. 5 000 units
- C. 7 500 units
- D .10 000 units

8. A firm produces three products; P, Q and R. Labour is in short supply and the following information is given:

	P	Q	R
Variable cost per unit	\$15.00	\$20.00	\$18.00
Selling price per unit	\$28.00	\$30.00	\$29.00
Labour hours per unit	4.5	4.9	4.5

Which order of priority should be followed to maximize profits?

	First	Second	Third
A	P	Q	R
B	P	R	Q
C	Q	R	P
D	R	Q	P

9. In marginal costing, which cost is used to value finished inventory?

- A. prime cost
- B. Total cost
- C. Variable cost of production
- D. Variable cost of sales

10. A contractor for a job provided the following:

	\$
Budgeted overheads	30 000.00
Budgeted direct labour hours	3 000 hours
Direct labour rate	30.00

Job 101 used material costing \$50.00 and 5 hours of direct labour. Overheads are charged on the basis of direct labour hours used.

What was the cost of the job?

- A. \$200 .00
- B. \$210 .00
- C. \$250 .00
- D. \$350 .00

11. The table contains information provided by a company

Budgeted machine hours	6 000
Actual machine hours	5 500
Budgeted overhead expenditure	\$84 000
Actual overhead expenditure	\$92 000

What is the amount of overhead over/under absorption?

- A. \$8 000.00 over-absorbed
- B. \$8 000. 00 under-absorbed
- C. \$15 000.00 over-absorbed
- D. \$15 000.00 under-absorbed

12. The cost of using landline phone is made up of a monthly rental charge and the cost of individual phone calls.

What type of cost is this?

- A. fixed
- B. semi –variable
- C. stepped
- D. variable

13. One product is made and sold by a company, incurring the following costs:

2kg of material	\$6.00 per kg
9 labour hours	\$24.00 per labour hour
Production overheads	\$12.00 per unit
Selling overheads	\$10.00 per unit

What is the total direct cost per unit?

- A. \$144.00
- B. \$360.00
- C. \$372.00
- D. \$382.00

14. Stock control through stock levels and EOQ is called _____.

- A. demand and supply method.
- B. perpetual inventory system.
- C. control by important and exception.
- D. automatic order method.

15. DS Limited uses the Economic Order Quantity (EOQ) to calculate the amount of inventory that it should order. The following details have been extracted from the company's accounting system:-

Monthly demand	490 units
Purchase price per unit	\$10
Cost of placing an order	\$15
Costs of holding one unit of inventory for one year	1% of purchase price

The amount of inventory (in units) that the company should order (rounded to nearest whole number) is:

- A. 1 212
- B. 1 328
- C. 1 383
- D. 4 200.

Section B : [70 MARKS]

Question 1: [20 Marks]

a) Briefly explain the meaning of the following terms as they are used in cost and management accounting :

- i) Avoidable costs. (2 marks)
- ii) Fixed costs. (2 marks)
- iii) Direct labour costs. (2 marks)
- iv) Variable costs. (2 marks)
- v) Cost object. (2 marks)

b) The following information relates to component X :

Maximum consumption per week	75 units
Average consumption per week	50 units
Minimum consumption per week	25 units
Re –order period	4-6 weeks
Re-order quantity	400 units

Required

- i) Re-order level (2 marks)
- ii) Minimum stock level (3 marks)
- iii) Maximum stock level (3 marks)
- iv) Average stock level (2 marks)

Question 2

The following information is provided for Bernard Makonde’s business for period 1:

Budget	\$
Production overheads	100 000
Direct material	50 000
Direct labour	20 000

Direct expenses	30 000
-----------------	--------

- a) Calculate any three possible overhead absorption rates from the above information (9 marks)
- b) How does an under absorption of overheads occur. (1 mark)
- c) A bakery employs two workers whose details are given below :

	Lawrence	Edmore
Clocked hours	41	43
Loaves produced	2 000	1 500
Rate paid per loaf	10 cents	10 cents
Production minutes per unit	3	3
Rate per hour	30 cents	30 cents

Required:

Calculate wages paid to Edmore using:

- i) Flat time method (1 mark)
- ii) Piecework method (1 mark)
- iii) Calculate Lawrence’s wages using the halsey-scheme (3 marks)

Question 3

Chitate Enterprises is examining the viability of a concert in Gwanda. Estimated fixed costs are \$60 000. The variable costs are \$10 per ticket. The proposed price for the sale of ticket is \$20. The management of Chitate Enterprises have requested you to provide them with the following information

- a) The number of tickets that must be sold to break even. (4 marks)
- b) How many tickets must be sold to earn \$30 000 target profit? (4 marks)
- c) What profit would be made if 8000 tickets were sold (4 marks)
- d) What selling price would have to be charged to give a profit of \$30 000 on sales of 8000 tickets, fixed costs of \$60 000 and variable costs of \$10 per unit. (4 marks)

- e) How many additional tickets must be sold to cover the extra cost of television advertising of \$80 000. (4 marks)

Question 4

- a) Define a limiting factor as it relates to manufacturing activities (1 mark)
b) Identify any four possible limiting factors for a manufacturing company (4 marks)
c) The following details are available regarding three products :

	X	Y	Z
Selling price per unit	\$200	\$300	\$400
Direct materials (\$4 per kg)	\$20	\$112	\$90
Direct labour (\$8 per hour)	\$80	\$44	\$120
Variable overheads	\$40	\$22	\$60

Required:

Rank the products according to priority given that raw materials are a limiting factor (10 marks)

END OF QUESTION PAPER