



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II SECOND SEMESTER EXAMINATION

MANAGEMENT AND COST ACCOUNTING II [BAC2205]

NOVEMBER 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** QUESTIONS
2. Begin your answer to each question on a new page.
3. Please indicate the study format (Conventional/Block) 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 seven printed pages including the cover page

QUESTION 1 [30 MARKS]

1.1. Which of the following is NOT a functional budget?

- A. Labour budget
- B. Cash budget
- C. Materials budget
- D. Expenses budget

[2 Marks]

1.2. A business plans to make 15,000 coats per annum, each taking 1.5 direct labour hours. If the direct labour rate is \$8 per hour and a pay rise of 15% is awarded halfway through the year, what is the total annual direct labour budget?

- A. \$120 000
- B. \$193 500
- C. \$180 000
- D. \$207 000

[2 Marks]

1.3. What is meant by an incremental budget?

- A. A budget prepared from first principles
- B. The variable elements of a budget excluding fixed costs
- C. A budget that is based on the previous year, adjusting for known changes
- D. A budget that breaks even

[2 Marks]

1.4. A firm has produced the following budget for an activity level of 200,000 units:

Direct material	\$15 000
Direct labour	\$40 000
Fixed expenses	\$77 000

What would be the total cost for a level of activity of 225,000 units?

- A. \$133 875
- B. \$148 500
- C. \$125 889
- D. \$138 875

[2 Marks]

1.5. A company operates a standard absorption costing system. Details of budgeted and actual figures for February are given below:

	Budget	Actual
Production (units)	29,000	26,000
Direct labour hours per unit	3.0	2.8
Direct labour cost per hour	\$10.00	\$10.40

(a) The labour rate variance for the period was:

- A. \$34,800 A
- B. \$34,800 F
- C. \$29,120 A
- D. \$31,200 A

[2 Marks]

(b) The labour efficiency variance for the period was:

- A. \$58,000 F
- B. \$60,320 F
- C. \$52,000 F
- D. \$54,080 F

[2 Marks]

1.6. Standards that can only be attained under the best circumstances are referred to as:

- A. Ideal standards
- B. Best standards
- C. Basic standards
- D. Practical standards

[2 Marks]

1.7. Who is most likely to be responsible for material usage variances?

- A. Line workers
- B. Production supervisors
- C. Purchasing managers
- D. Marketing managers

[2 Marks]

1.8. A company has just secured a new contract which requires 500 hours of labour. There are 400 hours of spare labour capacity. The remaining hours could be worked as overtime paid at time-and-a-half, or labour could be diverted from the production of Product X. Product X currently earns a contribution of \$4 in two labour hours and direct labour is currently paid at a rate of \$12 per normal hour.

What is the relevant cost of labour for the contract?

- A. \$200
- B. \$1,200
- C. \$1,400
- D. \$1,800

[2 Marks]

1.9. Which of these are **not** relevant costs?

- A. Incremental and sunk
- B. Sunk and committed
- C. Committed and incremental
- D. Opportunity and committed

[2 Marks]

1.10. A supermarket is considering running a promotion on one of its washing powder brands. By doing this, it will not be able to run a campaign on its shampoo brands, which would have generated a contribution of \$50,000.

What type of cost is this \$50,000?

- A. Marginal cost
- B. Direct cost
- C. Activity cost
- D. Opportunity cost

[2 Marks]

- 1.11. Which of the following is a disadvantage of divisionalisation?
- A. Improves the quality of decisions because divisional managers have good knowledge of local conditions
 - B. Decisions should be taken more quickly because information does not have a long chain of command to and from top management
 - C. The authority to act to improve performance should motivate divisional managers
 - D. The business will divide into a number of self-interested segments, each acting, at times, against the wishes and interests of other segments.
- [2 Marks]**
- 1.12. A responsibility centre for which the designated manager is responsible for profit in relation to the capital invested is called a:
- A. Revenue centre
 - B. Cost centre
 - C. Profit centre
 - D. Investment centre
- [2 Marks]**
- 1.13. To produce a particular batch of a product, F Ltd paid its workers \$12.00 per hour for 4 000 hours of work. The standards for the quantity of work represented by the batch was \$12.50 per hour and 4 400 hours. What was the labour efficiency variance?
- A. \$2000 favourable
 - B. \$5000 favourable
 - C. \$5000 unfavourable
 - D. \$2000 favourable
- [2 Marks]**
- 1.14. Which of the following is not an advantage of standard costing?
- A. It provides a basis for sensible cost comparisons
 - B. It enables managers to manage by exception
 - C. It provides a means of performance evaluation and employee rewards
 - D. It is usually less expensive than normal or actual costing
- [2 Marks]**

QUESTION 2 [30 MARKS]

The following are projected sales of BE Ltd for the first seven months of 2024

	\$
January	200 000
February	250 000
March	250 000
April	300 000
May	150 000
June	150 000
July	150 000

Additional Information:

1. All sales are on credit and on average, 80% is collected in the month of sale and 15% in the next month. The remainder is uncollectible.
2. Overheads are \$60 000 per month and are paid as incurred
3. Goods are purchased in anticipation of sales in the month preceding the month of sale. Sales are invoiced at cost plus 20%
4. Suppliers are paid one month after the goods are received
5. General expenses are paid at \$15 000 per month

Required:

Prepare:

- i. A schedule of cash collection from customers for the period January to June 2024. **[8 Marks]**
- ii. A schedule showing monthly purchases and payments to suppliers for the period January to June 2024. **[12 Marks]**
- iii. A cash budget for the period April to June 2024, assuming the cash balance as at 31 March 2024 was \$20 000. **[10 Marks]**

QUESTION 3 [25 MARKS]

ABC Ltd. has just introduced a new standard marginal costing system to assist in the planning and control of the production activities for the single product which the company manufactures – ‘The Stand’. The system became operational on 1st March 2023. The Management Accountant has consulted with the Senior Engineer and they have agreed the following standard specifications to manufacture one unit of the product known as ‘The Stand’.

Direct materials	4 kg @ \$1.75 per kg
Direct Labour	2 hours @ \$10 per hour
Variable overhead	2 hours @ \$8.25 per hour

The Marketing Director has advised that in ABC Ltd's industry, the budgeted selling price is normally calculated to achieve a mark-up of 30% on cost. The budgeted level of production and sales activity has been agreed with both production managers and sales staff at 24,000 units per month.

The actual results for the month of March 2023 are as follows:

- Sales 22,000 units yielding total revenue of \$1,276,000.
- Production 23,000 units
- Direct Materials 90,000 kgs at a cost of \$162,000.
- Direct labour 48,000 hours at a cost of \$576,000
- Variable overhead \$350,000

Required:

- a. Identify and briefly explain three types of standards that a Management Accountant may consider when introducing a Standard Costing system. **[6 Marks]**
- b. Calculate the standard selling price of one unit of 'The Stand'. **[3 Marks]**
- c. Calculate the following variances:
 - i. Sales Price **[2 Marks]**
 - ii. Sales Volume **[2 Marks]**
 - iii. Materials Price **[2 Marks]**
 - iv. Material Usage **[2 Marks]**
 - v. Labour rate **[2 Marks]**
 - vi. Labour efficiency **[2 Marks]**
 - vii. Overhead efficiency **[2 Marks]**
 - viii. Overhead expenditure **[2 Marks]**

QUESTION 4 [15 MARKS]

- A. The Aero Company is a wholesaler that sells its products to retailers throughout Zimbabwe. Aero's headquarters is in Bulawayo. The company has adopted a national structure with each province consisting of three to five sales territories. Each province has its own regional office and a warehouse that distributes the goods directly to the customers. Each sales territory also has an office where the marketing staff are located. The Matabeleland South province consists of three sales territories with offices located in Gwanda, Plumtree and Beitbridge. The budgeted results for the next quarter are as follows:

	Gwanda	Plumtree	B/Bridge	Total
	\$	\$	\$	\$
Cost of goods sold	920	1 002	1 186	3 108
Salesmen's salaries	160	200	240	600
Sales office rent	60	90	120	270
Depreciation of sales equipment	20	30	40	90
Apportionment of warehouse rent	24	24	24	72
Depreciation of warehouse equipment	20	16	22	58
Regional and headquarters rent	360	400	340	1 100
Total costs assigned to each location	1 564	1 762	1 972	5 298
Reported profit/loss	236	238	(272)	202
Sales	1 800	2 000	1 700	5 500

Assuming that the above results are likely to be typical of future quarterly performance, should the Beitbridge territory be discontinued? **[8 Marks]**

B. Define uniform costing. **[3 Marks]**

C. Explain any four limitations of market-based transfer pricing. **[4 Marks]**

END OF EXAMINATION PAPER