ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, INNOVATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS AND MANAGEMENT STUDIES

SUBJECT: Cost and Management Accounting I **PAPER NO:** 500/15/S09

DURATION: 3 Hours

NOVEMBER/DECEMBER 2022 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1) Answer all questions.
2) A silent non- programmable calculator may be used.
3) Begin each answer to a new question on a new page.
4) Show all relevant workings.

This paper consists of 5 printed pages.

QUESTION 1

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

i) Avoidable costs.

ii) Fixed costs.

iii) Direct labour costs.

iv) Variable costs.

v) Cost object. (10 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 to 6 weeks
Re-order quantity	400 units

Required

Calculate the following stock levels:

i) Re-order level

ii) Minimum stock level

iii) Maximum stock level

iv) Average stock level (10 marks)

QUESTION 2

a) The following information is provided for Bernard Muonde's business for period 1:

Budget	$
Production overheads	100 000
Direct material	50 000
Direct labour	20 000
Direct expenses	30 000
	200 000

Calculate overhead absorption rates using the following bases:

i) Direct material cost (3 marks)

ii) Direct labour cost (3 marks)

iii) Prime cost (3 marks)

iv) How does an under absorption of overheads occur. (1 mark)

b) The following information has been made available for XYZ Ltd:

i)

	Cost Accounts $	Financial Accounts $
Raw materials: Opening inventory	5000	5500
Closing inventory	4000	5300
Finished goods: Opening inventory	12 000	15 000
Closing inventory	14 000	16 000

ii) Dividends of $1000 were received by the company.

iii) A machine with a net book value of $10 000 was sold during the year for $8000.

iv) The company charged 10% interest on an operating capital employed of $80 000 to its process costs.

v) The company maintains separate costs and financial costs and the costing profit for 2017 differed from that revealed by the financial accounts which was shown as $50 000.

Required

Determine the profit shown in the cost accounts. (10 marks)

QUESTION 3

a) Dabwa Ltd makes three products whose details for period 005 were as follows according to the budget

	A $	B $	C $
Sales	16000	10000	8000
Direct material	5000	3000	2000
Direct labour	6000	1000	3000
Fixed costs	2000	1500	500

The three (3) products are manufactured using the same type of raw material which costs $100 per kg. For period 005 90kg of raw material are available for production of the three (3) products.

Required

Determine if the raw materials are a limiting factor. (10 marks)

b) Suggest how a production manager can solve any five (5) limiting factors or constraints to his production process. (10 marks)

QUESTION 4

The following information relates to contract 1902 on Matos site as at 31 December 2005

Matos Site-Contract 1902	$
Wages	42156
Materials delivered directly to site	54203
Materials from main stores	657
Materials transferred to Madzore site	1590
Plant purchased at cost	12500
Plant transferred to Matos	5250
Sub-contractors' charges	19580
Site expenses	5086
Materials on site 31 December	18300
Plant on site 31 December	14750
Prepayments at 31 December	507
Accrued wages at 31 December	921
Sales value of stages completed	117500
Cost of sales completed	102300

Additional information

1) Head office charges 10% of wages.

2) Progress payment received from client $115 000.

3) The contract value is $550 000 and it is expected that there will be further costs of $370 000. This is the first year of the contract. No profits have been taken previously

Required

Prepare the contract account for the year ended 31 December 2005 and opening entries for 1 January 2006. (20 marks)

QUESTION 5

The following are the details of the standard cost of Product X:

Standard cost per unit	$
Direct material (10kg @ $12 each)	120
Direct labour (3 hours @ $10 per hour)	30
Variable overheads (3 hours @ $5 per hour)	15
Fixed overheads (based on a budgeted output of 10 000 units)	25
Total standard cost per unit	190
Selling price per unit	240

During one particular month, 9600 units of the product were manufactured and sold, incurring the following actual cost

	$
Direct materials 90 000kg	1 210 000
Direct labour 25 000hours	254 000
Variable overheads 25000 hours	147 000
Fixed overheads	250 000
Total cost	1 861 000

Required

Calculate the following variances

a) Material price, usage and total cost.

b) Labour rate, efficiency and total cost.

c) Variable overhead expenditure

d) Fixed overhead expenditure. (20 marks)

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