

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

PROGRAMMES:

Bachelor of Accountancy (Honours) Degree

BBS (Hons) Banking and Finance

B.Com (Hons) Financial Intelligence

DEC 2015

COURSE: COST AND MANAGEMENT ACCOUNTING 1 (AC108)

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Answer all questions.
2. No cell phones are allowed in the examination venue.
3. Use of silent and non-programmable calculators is allowed

Question 1

(a) Explain the following cost terms, giving your own examples:

- | | |
|-------------------------|----------|
| (i) Opportunity costs. | (1 mark) |
| (ii) Prime costs. | (1 mark) |
| (iii) Explicit costs. | (1 mark) |
| (iv) Period costs. | (1 mark) |
| (v) Differential costs. | (1 mark) |

[5 marks]

(b) Provide graphical sketches of each of the following cost classifications:

- | | |
|------------------------------|----------|
| (i) variable costs per unit. | (1 mark) |
| (ii) Fixed costs per unit. | (1 mark) |
| (iii) Semi-variable costs. | (1 mark) |

(iv) Semi-fixed costs.

(1 mark)

(v) Total fixed costs.

(1 mark)

[5 marks]

(c) Match the following types of cost with their relevant explanations:

1	Total fixed cost	(a)	What cost should be
2	Total variable cost	(b)	Incurred cost
3	Unit variable cost	(c)	Increases in proportion to output
4	Unit fixed cost	(d)	Cost of conversions
5	Standard cost	(e)	What costs are expected to be
6	Period costs	(f)	Decreases with rise in output
7	Actual cost	(g)	Remains constant in total
8	Labour and overheads	(h)	Remains constant per unit
9	Incremental cost	(i)	Cost not assigned to product
10	Budgeted cost	(j)	Added value of a new product

[5 marks]

[Total : 15 marks]

Question 2

(a) Edzai Ltd manufactures a special product, which requires raw material Z. The following particulars were collected for the year 2013-2014 for raw material Z:

- Monthly demand of Z 7,500 litres
- Cost of placing an order \$500
- Re-order period 5 to 8 weeks
- Cost per litre of Z \$60
- Carrying cost % per annum 10%
- Normal usage 500 litres per week

- Minimum usage 250 litres per week
- Maximum usage 750 litres per week

Required:

Calculate:

- (i) Re-order quantity. (3 marks)
- (ii) Re-order level. (3 marks)
- (iii) Minimum inventory level. (3 marks)
- (iv) Average inventory level. (3 marks)

[12 marks]

(b) A firm is able to obtain quantity discounts on its order of material as follows:

Price per tonne (\$)	Tonnes
6,00	less than 250
5,90	250 and less than 800
5,80	800 and less than 2,000
5,70	2,000 and less than 4,000
5,60	4,000 and above

The annual demand for the material is 4,000 tonnes. Stock holding costs are 20% of material cost per annum. The delivery cost per order is \$6. The purchase quantity options to be considered are : 200 tonnes, 500 tonnes, 800 tonnes, 1,000 tonnes and 2,000 tonnes.

Required:

Calculate the order quantity which minimises costs.

[13 marks]

[Total : 25 marks]

Question 3

A factory has three production departments. The policy of the factory is to recover the production overheads of the entire factory by adopting a single blanket rate based on the percentage of total factory overheads to total factory wages. The relevant data for the month ended 30 April 2015 is given below:

Department	Direct Materials (\$)	Direct Wages (\$)	Factory Overheads (\$)	Direct Labour hours	Machine hours
Budget:					
Machining	650,000	80,000	360,000	20,000	80,000
Assembly	170,000	350,000	140,000	100,000	10,000
Packing	100,000	70,000	125,000	50,000	-
Actual :					
Machining	780,000	96,000	390,000	24,000	96,000
Assembly	136,000	270,000	84,000	90,000	11,000
Packing	120,000	90,000	135,000	60,000	-

The job card of Job No. CW-7083 produced during the month was as follows:

Department	Direct Materials (\$)	Direct Wages (\$)	Direct labour hours	Machine Hours
Machining	1,200	240	60	180
Assembly	600	360	120	30
Packing	300	60	40	-

The factory adds 30% on the factory cost to cover administration and overheads and profit.

Required:

- (a) Calculate the overhead absorption rate as per the company's current policy and determine the selling price of Job No. CW-7083. (5 marks)

- (b) Suggest any suitable alternative method of absorption of the factory overheads and calculate the overhead recovery rates on the method recommended by you. (6 marks)
- (c) Determine the selling price of Job-CW 7083 based on the overhead recovery rates calculated in (b) above. (5 marks)
- (d) Calculate the :
- (i) department-wise and total under or over recovery of overheads based on the company's current policy and
 - (ii) the method recommended by you.
- (14 marks)

[Total 30 marks]

Question 4

A chemical compound is made by raw material being processed through two processes. The output of process A is passed to process B, where further material is added to the mix. The details of the process costs for the financial period number 10 were as shown below:

Process A

Direct material	1,000kgs at \$5 per kg
Direct labour	\$3,600
Process plant time	70 hours at \$60 per hour

Process B

Direct material	700kgs at \$12 per kg
Direct labour	\$2,100
Process plant time	40 hours @72,50 per hour

The departmental overhead for period 10 was \$3,420 and is absorbed into the costs of each process on direct labour cost basis.

	Process A	Process B
Expected output was	80% of input	90% of input
Actual output was	700 kgs	1,310 kgs

There was no finished stock at the beginning of the period and no work-in-progress at either the beginning or the end of the period.

Normal loss is contaminated material which is sold as scrap for \$1,50 per kg from process A and \$2,80 per kg from process B, for both of which immediate payment is received.

Required :

To prepare for period 10:

- | | |
|------------------------------|-----------|
| (i) Process A account. | (4 marks) |
| (ii) Process B account. | (4 marks) |
| (iii) Abnormal loss account. | (2 marks) |
| (iv) Abnormal gain account. | (2 marks) |
| (v) Scrap sales account. | (3 marks) |

[Total: 15 marks]

Question 5

Discuss time-based remuneration and piece rate remuneration systems.

[Total :15 marks]

Total marks : 100

End of Question Paper