



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMAC 201: COST ACCOUNTING

END OF FIRST SEMESTER EXAMINATION

NOVEMBER 2022

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DURATION: 3 HOURS

INSTRUCTIONS

You are required to answer questions as instructed

Answer **all** questions

Start **each** question on a new page in your answer booklet

Credit will be awarded for logical, systematic and neat presentations

QUESTION ONE

ABC company has developed the following information for one of its inventory items: Units required per month, 2500; cost of placing an order, \$100; unit carrying cost per year, \$600.

- a) Compute the economic order Quantity **(3 marks)**
- b) Define “safety stock” and “reorder point” and give reasons why it is necessary to calculate them **(4 marks)**
- c) Distinguish abnormal process losses and abnormal process gains **(2marks)**
- d) On 1-January 2021, ABC company had beginning inventory 100 @ \$10

15-Apr Purchased 200 @ \$11

24-Aug Purchased 300 @ \$12

27-Nov Purchased 400 @ \$13

Closing inventory was 550 units

Calculate closing inventory and cost of goods sold using:

- i) First In First Out (FIFO) method **(5 marks)**
- ii) Last in First Out (LIFO) method **(5 marks)**
- iii) Average Cost (AVCO) method **(6 marks)**

QUESTION THREE

The following data pertain to the first week of operations during the month of June

Materials: Actual purchases.....1500 units at \$3.80 per unit
 Actual usage.....1350 units
 Standard usage.....1020 units at \$4.00 per unit
Direct labour: Actual hours.....310 hours at \$12.10 per hour
 Standard hours.....340 hours at \$12.00 per hour

Calculate the following variances:

- a) Material price variance **(4 marks)**
- b) Material usage variance **(4 marks)**
- c) Material total variance **(4 marks)**
- d) Labour rate variance **(4 marks)**
- e) Labour efficiency variance **(4 marks)**
- f) Possible causes of material variances **(3 marks)**
- g) Possible causes of labour variances **(2 marks)**

[25marks]

QUESTION TWO

A Company makes a single product with a sales price of \$5 and a marginal cost of \$3. Fixed costs are \$30 000 p.a., and the tax rate is 40%.

Calculate:

- a) Contribution ratio (3 marks)
- b) Break even in units (3 marks)
- c) Break even in dollars (3 marks)
- d) Sales in units to achieve an operating profit of \$10 000 (4 marks)
- e) Sales in dollars to achieve an operating profit of \$10 000 (4 marks)
- f) Sales in units to achieve an after-tax profit of \$10 000 (4 marks)
- g) Sales in dollars to achieve an after-tax profit of \$10 000 (4 marks)

QUESTION FOUR

- a) What are the pros and cons of ABC costing system? (5 marks)
- b) Compare and contrast traditional budgeting to beyond budgeting approach. (20 marks)

END OF EXAMINATION
