



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMAC 201: COST ACCOUNTING

END OF SECOND SEMESTER EXAMINATION

APRIL 2023

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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 Corporation uses a flexible budgeting system. The following is the budget for normal capacity (100%).

	100%
	Capacity
Units of production	2500
Direct labour	\$5 000
Direct materials	7 500
Total prime cost	\$12 500
Factory overhead:	
Utilities	\$1 000
Supplies	1 000
Indirect labour	1 250
Depreciation of plant & equipment	3 000
Miscellaneous indirect factory expenses	1 200
Total factory overhead	\$7 450
Total budgeted manufacturing cost	\$19 950

Required:

- Prepare the flexible budget on the assumption that 2000 units are produced in the current period. **(10 marks)**
- Define zero-based budgeting and outline its pros and cons. **(8 marks)**
- Suggest the people who should constitute a budget committee in a manufacturing organisation and justify the composition of the committee suggested. **(7 marks)**

QUESTION TWO

- On 1-January 2022, XYZ company had beginning inventory 100 @ \$10
15-Apr Purchased 200 @ \$11
24-Aug Purchased 300 @ \$12
27-Nov Purchased 400 @ \$13
Closing inventory was 450 units

Calculate closing inventory and cost of goods sold using:

- i) First In First Out (FIFO) method (6 marks)
- ii) Last in First Out (LIFO) method (6 marks)
- iii) Average Cost (AVCO) method (6 marks)
- iv) Using examples, explain the four behaviours of costs (7 marks)

QUESTION THREE

A company makes a single product with a sales price of \$20 and a variable cost of \$12.

Fixed costs are \$120 000 p.a. tax rate 40%. Using the ***COST-VOLUME-PROFIT*** (CVP) analysis, calculate:

- a) Contribution ratio (2 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 \$40 000 (3 marks)
- e) Sales in dollars to achieve an operating profit of \$40 000 (3 marks)
- f) Sales in units to achieve an after-tax profit of \$40 000 (4 marks)
- g) Sales in dollars to achieve an after-tax profit of \$40 000 (4 marks)
- h) Highlight the importance of CVP analysis to an organisation. (3 marks)

QUESTION FOUR

- a) Explain over-absorption and under-absorption (4 marks)
- b) Differentiate process costing from job costing (8 marks)
- c) During a certain period, the actual usage of direct material was 4200 kg @ \$22.50 per Kg while the standard usage was 4500 kg @ \$20 per kg.

Calculate

- i) Direct material Usage variance (4 marks)
- ii) Direct Material Price Variance (4 marks)
- iii) Direct Material Total Variance (5 marks)

END OF EXAMINATION