

ROBERT MUGABE SCHOOL OF EDUCATION

DEPARTMENT OF EDUCATION

BACHELOR OF EDUCATION

LEVEL 4 SEMESTER 2

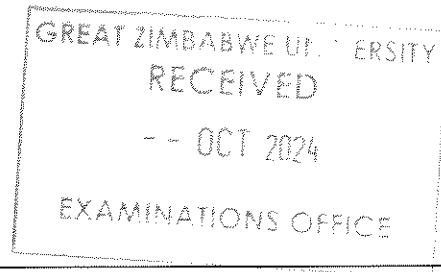
EXAMINATION QUESTION PAPER

MODULE CODE **TDSBS 402**

MODULE NARRATION **COST & MANAGEMENT ACCOUNTING**

DATE

DURATION **3 HOURS**



INSTRUCTIONS TO CANDIDATES:

1. Answer all questions
2. Start a new answer on a fresh page.
3. Silent non-programmable self-powered calculators may be used.

QUESTION 1

Some researchers and commentators have said there is no difference between Financial Accounting and Management Accounting. Discuss the main differences and similarities between these two branches of accounting **[Total: 25 Marks]**

QUESTION 2

Weaver Ltd manufactures and sells a single product called Product W. The company operates an absorption costing system for product costing purposes and values closing stock at normal absorption cost. Fixed production overheads are applied to units of output using a predetermined overhead absorption rate based on an expected normal annual activity level of 258,000 units per annum. Fixed production overheads for the most recent financial year were budgeted to be \$5,160,000.

There was no opening stock at the start of the most recent financial year. Sales and production levels for the first three months of that year were as follows:

	Month 1	Month 2	Month 3
Sales units	21,000	18,000	23,000
Production units	21,000	22,500	20,000

The actual selling price per unit achieved throughout the most recent financial year was \$180, while the actual variable cost incurred per unit remained at \$80 during that year. Fixed production overheads actually incurred were as follows: Month 1: \$410,000; Month 2: \$432,000 and Month 3: \$418,000. In addition, fixed selling and administration costs of \$405,000 were incurred during each of the three months.

YOU ARE REQUIRED TO:

- (a) Prepare operating profit statements for month 1, month 2 and month 3:
(i) In accordance with the absorption costing approach currently used by Weaver Ltd.
(ii) In accordance with a marginal costing approach. **(15 marks)**
- (b) In respect of each of the three months, explain any difference between the profits reported using absorption costing in (a)(i) above and those reported using marginal costing in (a)(ii) above. **(5 marks)**
- (c) Do the reconciliation between profits reported using absorption costing approach and variable costing approach for month 2. **(3 marks)**
- (d) Outline the arguments put forward in favour of the use of absorption costing for internal reporting. **(2 marks)**

[Total: 25 Marks]

QUESTION 3

Covex Ltd manufactures a product that passes through two processes. The following information relates to the two processes:

	Process A -----	Process B -----
Opening work in progress		
Units introduced into the process	25 000	19 500
Units completed and transferred to the next Process or finished goods inventory	19 500	17 000
Closing work in progress	5 500	2 500
Material costs added	\$340 000	\$200 000
Conversion costs	\$240 000	\$150 000

Materials are added at the start of process A and at the end of process B and conversion costs are added uniformly throughout both processes. The closing work in progress is estimated to be 62% complete for both processes.

YOU ARE REQUIRED TO:

- (a) Explain the difference between a normal loss and an abnormal loss. **(4 marks)**
- (b) For Covex Ltd prepare process A and process B accounts. **(18 marks)**
- (c) Explain the following cost terms (i) sunk cost (ii) cost driver (iii) Avoidable cost **(3 marks)**

[Total: 25 Marks]

QUESTION 4

Most business organizations in Masvingo do not prepare and use budgeting process in their business operations. A budget seminar is being done at Great Zimbabwe Hotel in Masvingo. As a Great Zimbabwe University student you were invited to give a presentation on the budgeting process.

YOU ARE REQUIRED TO:

(a) Explain the difference between the following types of budgets:

- (i) Zero Based Budgeting (ZBB) and Activity Based Budgeting (ABB)
- (ii) Flexible Budgeting and Static budgeting
- (iii) Incremental Budgeting and Rolling Budgeting
- (iv) Value Proposition Budgeting (VPB) and Performance Budgeting

(8 marks)

(b) Explain the importance of preparing and using budgets in organisations. Give examples to your explanation **(5 marks)**

(c) Identify and describe the elements involved in the decision-making, planning and control process. **(12 marks)**

[Total: 25 Marks]

END OF PAPER