ZIMBABWE

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

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS AND MANAGEMENT STUDIES

MODULE: Cost and Management Accounting 1 **PAPER NO:** 500/23/M06

DURATION: 3 Hours

JUNE 2026 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer all questions.
2. Show all relevant workings.
3. Begin each answer to a new question on a fresh page.
4. Marks will be lost for poor presentation of work.

PAPER NO: 500/23/M06 – COST AND MANAGEMENT ACCOUNTING 1

QUESTION 1

a) Define the following terms indicating whether they are relevant or irrelevant for decision-making

i) Period costs (2 marks)

ii) Product costs (2 marks)

iii) Historic costs (2 marks)

iv) Opportunity costs (2 marks)

b) Mawere (Pvt) Limited has presented the following details relating to material XYZ used in the production process.

Budgeted consumption

Minimum usage 250 units per month

Maximum usage 1500 units per month

Normal usage 750 units per month

Economic order quantity 1500 units

The lead time is estimated to be 3- 5 months

Required

Calculate the following stock control levels:

i) Re-order level (3 marks)

ii) Minimum stock level (3 marks)

iii) Maximum stock level (3 marks)

iv) Average stock level (3 marks)

QUESTION 2

a) The following details are given relating to two (2) employees working at Platinum (Pvt) limited.

	Johnson	Samuel
Clocked hours worked	40	50
Number of units produced	3 000	2 400
Rate paid per unit	40c	50c
Time allowed per unit in minutes	1	2
Rate per hour	$25	$30

Required

Calculate wages paid to the two (2) employees on the basis of the following methods of remuneration and individual bonus schemes.

i) Piece work method (3 marks)

ii) Flat time method (3 marks)

iii) Halsey premium bonus system (3 marks)

iv) Barth variable sharing plan (3 marks)

v) Rowan bonus system (3 marks)

b) "Budgeting and budgetary control is an important aspect in any organisation"

In relation to the above statement, you are required to explain any five (5) benefits of preparing budgets in an organisation. (10 marks)

QUESTION 3

a) The following information relates to cost centre B for period 2

Production overheads	$30 000
Labour hours	800
Direct labour cost	$8 000
Direct material cost	$15 000
Machine hours	6 000
Production in units	250

Required:

Compute the following overhead absorption rates (OAR)

i) Labour hour overhead absorption rate. (2 marks)

ii) Machine hour overhead absorption rate (2 marks)

iii) Material cost percentage rate (2 marks)

iv) Labour cost percentage rate (2 marks)

v) Unit cost rate (2 marks)

b) A cost unit M has been produced in cost centre B and the following details were recorded

Direct materials used	$115.00
Direct labour cost	$135.00
Direct labour hours	15
Machine hours	85

Required:

Assuming that it has been agreed that the machine hour rate is the most appropriate method to be used, calculate the cost of unit M.
(5 marks)

c) The data for process 1 are as given below

Input materials 2000 units at $ 2 each

	$
Materials introduced	1 500
Labour cost	3 500
Overheads	1 000

The closing WIP is 400 units with the following degrees of completion.

Input materials	100%
Materials introduced	50%
Labour cost	60%
Overheads	70%

Required

Draw up process cost account. (10 marks)

QUESTION 4

The following information is given relating to product A produced by a Mutare based manufacturing company

Sales in units	18 000
Production in units	25 000
	$
Selling price per unit	16.00
Cost per unit	
Direct materials	5.00
Direct labour cost	3.00
Variable production overheads	2.00
Fixed production overheads	3.00

The actual fixed costs incurred for the period amounted to $75 000

Administration overheads which were fixed amounted to $10 000

Required

Prepare operating statements based on the following costing methods

a) Contribution approach (7 marks)

b) Absorption costing approach. (8 marks)

QUESTION 5

Chinembiri (PVT) Limited company is a Harare based manufacturing company that operates a standard costing system. The information given below relates to the standard cost data of one unit.

Direct materials 8kg at $90 per kg direct labour 6 hours at $60 per hour and variable production overheads 6 hours at $40 per hour.

During the month of January 2024, the company produced 1000 units. The actual cost data costs were also as follows:

Direct materials 7 200kg at $100 per kg direct labour 6 200 hours sat $50 per hour, variable production overheads $ 186 000

Required

a) Prepare a standard cost card for one unit. (3 marks)

b) Compute the following variance

i) Material price variance (2 marks)

ii) Material usage variance (2 marks)

iii) Labour rate variance (2 marks)

iv) Labour efficiency variance. (2 marks)

v) Variable overheads expenditure variance (2 marks)

vi) Variable overheads efficiency variance. (2 marks)

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