



**FACULTY OF BUSINESS MANAGEMENT**  
**END OF SEMESTER EXAMINATIONS - APRIL 2025**

**PROGRAMME: MBA**

**YEAR/SEM: YEAR 2/SEMESTER 1**

**COURSE CODE: MBA 813**

**NAME: COST AND MANAGEMENT ACCOUNTING**

**DATE: 2025-04-17**

**TIME: 2:00-5:00PM**

**INSTRUCTIONS TO CANDIDATES:**

1. Read the instructions very carefully
2. The time allowed for this examination is STRICTLY three hours
3. Read each question carefully before you attempt and allocate your time equally between all the Sections
4. Write clearly and legibly. Illegible handwriting cannot be marked
5. Number the questions you have attempted
6. Use of appropriate workplace examples to illustrate your answers will earn you bonus marks
7. Any examination malpractice detected will lead to automatic disqualification.

**DO NOT WRITE ANYTHING ON THE QUESTION PAPER**

## Section A Attempt all parts of section A

### Question 1:

#### Case Study 2: XYZ Electronics Ltd.

XYZ Electronics Ltd. is a company that manufactures electronic gadgets, primarily focusing on producing a popular range of smartphones. In the month of February 2025, the company has been assessing its cost structure and analyzing the profitability of its operations. To better understand its financial position, XYZ Electronics Ltd. wants to evaluate its production costs, factory overheads, and administrative expenses.

The following details are provided for the month of February 2025:

- **Direct Materials:** \$150,000 (raw materials used in the production of smartphones)
- **Direct Labor:** \$90,000 (wages of workers directly involved in smartphone production)
- **Factory Overheads:**
  - Indirect Materials: \$20,000
  - Indirect Labor: \$25,000
  - Factory Rent: \$18,000
  - Factory Utilities: \$12,000
  - Depreciation of Factory Equipment: \$8,000
- **Selling & Distribution Costs:**
  - Sales Commission: \$10,000
  - Advertising Expenses: \$7,000
- **Administrative Expenses:**
  - Office Salaries: \$15,000
  - Office Rent: \$5,000
- **Sales Revenue:** \$300,000 (from selling smartphones)
- **Opening Stock of Finished Goods:** \$30,000
- **Closing Stock of Finished Goods:** \$25,000

XYZ Electronics Ltd. wants to analyze its cost structure to make informed decisions on pricing strategies and evaluate profitability for the month.

#### Required:

- a) **What is "Prime Cost"? Define and explain its components in the context of XYZ Electronics Ltd.**  
(10marks)
- b) **Explain the significance of Factory Overheads in cost accounting. What types of factory overheads does XYZ Electronics Ltd. incur?**  
(10marks)

c) **How does the "Total Cost" affect pricing and profitability in a manufacturing setting?**

**Illustrate this with reference to XYZ Electronics Ltd.**  
**(10marks)**

- a) Prepare Cost Statement for XYZ Electronics Ltd. for February 2025, showing Prime Costs, Factory Costs, Cost of Production, Total Cost, and Profit. (10marks)

## **Section B Attempt any 3 questions in this section**

**Question 1:**

### **Topic 4: Labour Costing**

a) What are the various methods of labor remuneration and their advantages? (8 marks)

b) A company has the following data for a month:

- a. Basic hourly rate: \$15
- b. Overtime rate: 1.5 times the basic hourly rate
- c. Regular hours worked: 160 hours
- d. Overtime hours worked: 20 hours

Calculate the total wages for the month. (12 marks)

**Question 2:**

### **Question 11: (20 Marks)**

(a) Explain how cost accounting helps businesses in controlling costs and improving operational efficiency.

**(10 Marks)**

(b) Discuss the potential impact of proper cost control on a company's profitability and long-term sustainability.

**(10 Marks)**

**Question 3:**

**Question 9:**

- a) Define **marginal cost** and explain its significance in pricing decisions. (5marks)
- b) Discuss the importance of a **cost-volume-profit (CVP) analysis** for businesses. (5marks)
- c) A company has the following information for its product:

- Fixed Costs: \$40,000
- Contribution Margin per unit: \$15
- Desired Profit: \$10,000

Calculate the number of units the company needs to sell to achieve the desired profit. (10marks)

#### **Question 4:**

##### **Topic 3: Material Costing**

- a) Explain the procurement procedure in material costing. (8marks)
- b) A company uses the FIFO method for material costing. The following data is available for material purchases:
  - Beginning inventory: 100 units at \$10 each
  - Purchase: 200 units at \$12 each
  - Sale: 150 units

Calculate the cost of goods sold (COGS) under FIFO. (12marks)

#### **Question 5:**

- a) Explain the budgeting process for an organization of your choice. (10marks)
- b) Explain the cost principles as a student of this module. (10marks)

#### **Question 6:**

##### **Topic 1: Nature and Scope of Cost and Management Accounting**

- a) Explain the relationship between cost accounting and management accounting. (8 marks)
- b) A company manufactures 500 units of a product. The total cost of production is as follows:
  - Direct materials: \$2,000
  - Direct labor: \$1,500
  - Factory overhead: \$1,000

Calculate the cost per unit of the product. (12 Marks)