



**PAMIBIA UNIVERSITY**  
**OF SCIENCE AND TECHNOLOGY**

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE**

<b>QUALIFICATION: VARIOUS PROGRAMES</b>	
<b>QUALIFICATION CODE: VARIOUS</b>	<b>LEVEL: 5</b>
<b>COURSE CODE: BAC1200</b>	<b>COURSE NAME: BUSINESS ACCOUNTING 1B</b>
<b>SESSION: JANUARY/FEBRUARY 2020</b>	<b>PAPER: THEORY AND PRACTICAL</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

<b>SECOND OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	Nkala, D., Jatamunua, R., Mushonga, E., Sheehama, K.G.H., Muleka, T., Paulus, Sh. and Hainghumbi, H.
<b>MODERATOR:</b>	Odada, L.

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. This exam paper is made up of four (4) questions</li><li>2. Answer ALL the questions and in blue or black ink</li><li>3. Start each question on a new page in your answer booklet and show all your workings</li><li>4. Questions relating to this examination may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities and any assumption made by the candidate should be clearly stated.</li></ol>

**PERMISSIBLE MATERIALS**

1. Examination paper.
2. Examination script.
3. Calculator

THIS QUESTION PAPER CONSISTS OF 5 PAGES (including this front page)

**QUESTION 1**

**(10 marks)**

**In each of the following questions only write down the letter that, in your opinion represents the correct answer, in the answer book provided.**

1.1 Which of the following are conversion costs?

- (i) Water pipeline
- (ii) Plumber
- (iii) Factory cleaner's wages
- (iv) Security guard's salary

- a) (i) and (ii)
- b) (i) and (iii)
- c) (ii) and (iii)
- d) (ii) and (iv)

1.2 Which of the following could not be classified as a period cost?

- a) Rent
- b) Insurance
- c) Depreciation of plant equipment
- d) Depreciation of vehicle

1.3 Which of the following could not be a direct cost?

- a) Direct material
- b) Direct labour
- c) Prime cost
- d) Conversion

1.4 A cost which stays unchanged per unit when the level of activity is changing is:

- a) Fixed cost
- b) Variable cost
- c) Semi-variable cost
- d) None of the above

1.5 A cost which changes per unit when the level of activity is changing is:

- a) Variable cost
- b) Fixed cost
- c) Mixed cost
- d) None of the above

**QUESTION 2****(35 marks)**

Shilongo & Shikongo Son Ltd has just opened a bookshop where it buys management accounting textbooks from Van Schaik publishers and sells them to the students who are studying towards accounting qualifications at higher institutions in Windhoek. You have been appointed as inventory accountant to the bookshop, where inventory is a major problem because of high storage costs. The company also experiences a serious problem because it does not have a record about when the books are bought or sold. Now, Shilongo and Shikongo Son Ltd wants to install an efficient inventory control and pricing system within the company and seeks your advice on a number of issues. Shilongo & Shikongo Son Ltd uses weighted average method for inventory valuation. The textbook price has fluctuated over the period since June 2019. You are given the following information:

1 July:	Textbooks on hand: 500 @ total of N\$225 000.
12 July:	Cash purchases from Van Schaik Publishers: 150 textbooks @ N\$500 per textbook.
20 July:	Credit purchases from Van Schaik Publishers: 50 textbooks @ total of N\$27 500.
23 July:	550 textbooks were sold @ N\$800 per textbook.
25 July:	Administrative and selling expenses of N\$90 000 was paid with credit card.

**Additional information:**

- The costs to place an order is N\$550.
- It takes Van Schaik Publishers 15 days to affect delivery from the date the order is placed online.
- Annual storage cost per unit is N\$75.
- The company's annual average demand for the textbooks is 49 680.
- The company operates for 345 days a year.
- The company has decided not to keep minimum inventory of textbooks because the supplier always delivers on time.

**RUQURED:**

- Calculate the level at which Shilongo & Shikongo Son Ltd needs to procure additional textbooks from Van Schaik Publishers to avoid stockouts. (4)
- Calculate the size of order that will result in minimisation of ordering and holding costs for the company. (5)
- Determine annual ordering costs. (3)
- Calculate average inventory. (3)
- Compile an inventory ledger card to determine the value of the textbooks in closing inventory for July 2019. (10)
- How much profit or loss was made during the month of July. (5)

**QUESTION 3****(30 marks)**

"I know I'm a pretty good scientist, but I guess I still have some things to learn about running a business," said Domingu Masaka, founder and director of Sweetz Manufacturer Ltd (hereafter "the Company"). "Demand had been so strong for our economical and value-for-money heart rate monitor that I was sure we'd be profitable immediately, just look at the data for the first quarter." The data to which Masaka was referring is shown below:

Information for the financial year ended 31 August 2019 relating to Sweetz, a local manufacturer of chewable mints, is as follows:

Actual sales	990 000 @ N\$0.50 per mint
Actual number of mints produced during the financial year ended 31 August 2019	980 000 mints
Direct materials purchased – raw gum	980 kilograms @ N\$20 per kilogram
Direct labour - wages	980 hours @ N\$50.00 per hour
Other direct factory overheads	1 960 machine hours @ N\$10.00 per hour
Budgeted fixed manufacturing overheads p.a.	N\$100 000
Budgeted production	1 000 000 mints per annum
Opening inventory at 1 September 2018:	
Chewable mints	100 000 @ N\$0.19 each
Direct materials – raw gum	100 kilograms @ N\$20.00 per kilogram
Work-in-progress	N\$11 000
Closing inventory at 31 August 2019:	
Chewable mints	90 000 @ N\$0.19 each
Direct materials – raw gum	90 kilograms N\$20.00 per kilogram
Work-in-progress	N\$3 000

Fixed manufacturing overheads are allocated on the basis of the number of mints produced. Inventory is valued on the first-in, first-out, (FIFO) basis.

**REQUIRED:**

1. Draw up a statement of cost of sales for Sweetz Manufacturer Ltd, for the financial year ended 31 August 2019. (24)
2. Prepare a statement of profit or loss for Sweetz Manufacturer Ltd, for the financial year ended 31 August 2019, assuming the actual fixed manufacturing overhead costs incurred during the period were N\$105 000. (6)



**QUESTION 4****25 marks)**

In July 2019 you were employed by Kavango-Shakati CC as their assistant management accountant. They have requested you to calculate the net salary of the two employees, namely Shikongo and Amunjera.

These employees work five days a week (eight hours a day from Monday to Friday. Basic salaries are N\$450 000 and N\$360 000 per annum for Shikongo and Amunjera, respectively. They receive travelling allowances of 35% and entertainment allowances of 30% of their basic salary per annum. They all receive a 13th cheque (100% of their basic monthly salary) in August 2019 as their bonus for excellent performance. They should also have to receive a 14th cheque (100% of their basic monthly salary) on the month of their birthdays. Shikongo was born on 8 May and Amunjera on 18 August.

Deductions are as follows:

- Non – taxable medical fund contributions for Shikongo and Amunjera are N\$1 575.00 and N\$1 415.00, respectively.
- Non – taxable pension fund contributions for Shikongo and Amunjera are N\$2 250.00 and N\$2 020.00, respectively.
- PAYE 25% (total earning including allowances, but after medical and pension fund are deducted) per month. PAYE is deducted by the employer from the employees' salaries and paid over to the government.
- Taxable - social security is calculated at 0.9% of their basic monthly salaries. The monthly minimum contribution is N\$2.70 and the maximum is N\$81.

**NOTE:** There are 12 months in a year. Round all calculations to the nearest two decimal places.

REQUIRED	MARKS
1. Calculate the net salary of the two employees for the month of August 2019	25

**END OF EXAMINATION PAPER**

