



**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: NOVEMBER 2019</b>	<b>PAPER: THEORY AND PRACTICAL</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

<b>FIRST 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.

<p style="text-align: center;"><b>INSTRUCTIONS</b></p> <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>
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**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 The following statement is NOT true:

- A Information supplied by financial accounting is regulated by statutory requirements and general accepted accounting practices.
- B Financial accounting focuses on small parts of the enterprise, for example individual products and departments.
- C Management accounting can use whatever rules it finds most useful for decision-making, without worrying whether it conforms to standards or legal requirements.
- D Financial statements report on historical activities and figures.
- E Cost accounting focuses on the calculation of the cost to manufacture a product or to deliver a service.

1.2 The following statement is NOT true:

- A Total ordering cost = Cost per order x Number of orders
- B Total holding cost = Average inventory x Holding cost per unit per year
- C Total inventory cost = Total ordering cost + Total holding cost
- D Average inventory = Minimum inventory level -  $\frac{1}{2}$  (Economic order quantity)
- E Re-order level = Maximum usage x Maximum lead-time

1.3 The following statement is NOT true:

- A Inventory can be classified as raw material, work-in-progress or finished goods.
- B Carrying cost includes all costs relevant to the holding of an item in inventory.
- C Lead-time refers to the time that passes from the point that an order is placed until the raw material/goods are delivered.
- D The minimum inventory level = safety stock
- E Maximum inventory level = Re-order level – (Minimum usage x Minimum lead-time)

1.4 An employee is paid N\$50 per hour and normally works eight hours daily from Monday to Friday. During a certain week he also worked four hours on Saturday for which he was remunerated at time-and-a-half. On Sunday he worked for five hours at double rate. His gross wage for the week amounted to:

- |   |          |   |          |
|---|----------|---|----------|
| A | N\$2 205 | D | N\$2 800 |
| B | N\$2 295 | E | N\$2 600 |
| C | N\$2 430 |   |          |

1.5 Under-recovery of overheads occurs when:

- A The basis of allocating overheads has changed during the period
- B The amount of actual overheads incurred is less than the overheads that have been charged to production
- C Actual overheads have fallen in relation to what they were expected to be
- D The amount of budgeted overheads is less than the actual overheads incurred.
- E The amount of overheads charged to production is lower than the actual overheads incurred.

**QUESTION 2****(32 marks)**

Safe Tyres Ltd is a manufacturer of various brands of tyres in Okalongo. The raw materials that are used for manufacturing a tyre are rubber, steel belts, beads (steel coated in rubber), ply fabric and tread. Rubber is a major component that makes up 85% of the tyre. The tyre price has fluctuated over the period since June 2019. John is a sole trader who buys his tyres from Safe Tyres Ltd and he wanted you to help him with the value of closing inventory for the month of June 2019. You are provided the following information:

<b>1 July:</b>	Tyres on hand: 500 @ total of N\$225 000.
<b>2 July:</b>	Cash purchases from Safe Tyres Ltd: 150 tyres @ N\$500 per tyre.
<b>10 July:</b>	Credit purchases from Safe Tyres Ltd: 50 tyres @ total of N\$27 500.
<b>12 July:</b>	50 tyres were sold @ N\$750 per tyre.
<b>13 July:</b>	550 tyres were sold @ N\$800 per tyre.
<b>15 July:</b>	20 tyres were donated to taxi-community members who came from disadvantaged families as part of corporate social responsibility.
<b>20 July:</b>	Credit purchases from Safe Tyres Ltd: 50 tyres @N\$600 per tyre.
<b>25 July:</b>	Administrative and selling expenses of N\$90 000 was paid with credit card.

**REQUIRED:**

- (a) Calculate the value of John's closing inventory using the First in, First out (FIFO) method. (22)
- (b) Prepare a statement of profit or loss for the month of July 2019 sharing the profit or loss made in this month. (10)



**QUESTION 3**

**(33 MARKS)**

Knowing that you are study Management Accounting, a friend who manages a small business involved in civil engineering works known as Nasolo Civil Works has sought your advice with regard to apportioning the company overheads and to produce a quotation for an advertised tender he is interested in. Nasolo Civil Works has two production departments; machine and assembly supported by the engineering services department. The following data has been provided:

	Value of Machinery (N\$)	Area M <sup>2</sup>	direct labour hours	Machine hours	Direct labour cost (N\$)
Machine shop	21 000	11 000	3 000	3 000	10 500
Assembly	30 000	8 000	2 000	1 500	8 000
Engineering	12 000	2 000	-	-	-

<b>Budgeted overheads:</b>	<b>N\$</b>
Indirect wages & materials	80 000
Overtime premium	30 000
Insurance	8 000
Rent & rates	<u>15 000</u>
<b>Total</b>	<b><u>133 000</u></b>

Budgeted direct materials for the two production departments: Machine department N\$10 000 and Assembly department N\$15 000. Indirect wages and material fluctuate with direct materials and direct labour requirements; therefore, a decision was taken to use prime costs as the base of apportionment for Indirect wages and material and the base used to apportion overtime premium is direct labour cost. The engineering services department costs is allocated to the production departments based on machine hours.

The machine department cost is absorbed on machine hours and the assembly department cost on direct labour hours. The company would like to tender for civil works on a small bridge project expected to be completed within one month. It has the below estimated details:

- Direct material N\$20 000
- Direct labour N\$15 000
- The Machine department has budgeted to spend 600 machine hours on this project
- The Assembly department has budgeted to spend 450 direct labour hours on this project
- The company requires a profit of 30% on every tender (i.e. the selling price).

<b>REQUIRED</b>	<b>MARKS</b>
a) Prepare an overhead analysis sheet based on the information provided above clearly showing the primary apportionment. <b>(round to the nearest N\$).</b>	<b>20</b>
b) Apportion the cost of Service Department to the production departments (secondary apportionment) and determine the overhead absorption rate of each department. <b>(round to the nearest N\$).</b>	<b>6</b>
c) Calculate the amount at which Nasolo limited should tender for the small bridge project to be able to achieve the required profit of 30%.	<b>7</b>

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

You have been instructed to prepare the cash budget for April, May and June 2020 for Onawa CC, a distributor of exercise equipment. The following information is available about the company's operations:

- The cash balance on April 1 will be N\$40 000.
- Budgeted sales for six months are as follows:

	January	February	March	April	May	June
	N\$	N\$	N\$	N\$	N\$	N\$
Cash sales	65 000	70 000	83 000	40 000	50 000	54 000
Credit sales	400 000	525 000	600 000	400 000	425 000	600 000

- Sales on account are collected over a three-month period in the following ratio:
  - 20% collected in the month of sale.
  - 60% collected in the month following sale.
  - 20% collected in the second month following sale.
- Purchases of inventory will be 50% of credit sales of that month.
- Selling and administrative expenses are budgeted at N\$430 000 for each month. Of this amount, N\$50 000 is for depreciation.
- A new web server for the marketing department costing N\$76 000 will be purchased on a cash basis during June 2020, and dividends totalling N\$9 000 will be paid during the month.

**REQUIRED:**

Prepare a cash budget for April, May and June 2020. Show supporting schedules for the collections from debtors (credit sales) and for the payments to creditors (credit purchases)

**END OF EXAMINATION PAPER**

