



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BACC	LEVEL: 5
COURSE CODE: CMA512S	COURSE NAME: COST AND MANAGEMENT ACCOUNTING 102
SESSION: JANUARY 2019	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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<p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">1. This question paper is made up of four (4) questions.2. Answer ALL the questions and in blue or black ink.3. Start each question on a new page in your answer booklet and show all workings.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 & any assumption made by the candidate should be clearly stated.
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THIS QUESTION PAPER CONSISTS OF 5 PAGES (Excluding this front page)

Question 1**(25 marks)**

Windhoek Glass Manufacturers (WGM) is a company based in Windhoek that manufactures and sell 'green glass'. The term 'green glass' was coined in when the company adopted technology a few years back that enables the company to produce glass that has the ability to amplify the natural light that comes into a room thereby leading to zero usage of electric lights during the day. As a result of this innovative idea, the 'green glass' has managed to get great popularity in the market. The only challenge that WGM faces is that the customers ordering this product are not standard customers. They come with different specifications which means each customer's order is different. WGM therefore has implemented a successful job costing system. WGM has recently got an order from a new customer that requires these 'green glass' panels for a new community library in Windhoek. WGM's accountant has given this job order an identifiable number as Job A263. The accountant has also provided the following information:

Direct Materials:

WGM uses the weighted average cost system to price its issues of materials to production.

Beginning inventory at 1st April:

20 size Large glass panels @ N\$400 each

80 type Big chrome fittings @ N\$20 each

Purchases:

1st April: 50 size Large glass panels @ N\$377.60 each

15th April: 90 type Big chrome fittings @ N\$21.70 each

Issues to production (Job A263):

17th April: 15 size Large glass panels

19th April: 90 type Big chrome fittings

Direct Labour:

Assembly: 42 hours @ N\$180 per hour

Finishing: 16 hours @ N\$160 per hour

The customer indicated that the construction of the community library is already lagging behind. As a result this order was supposed to be finished by the 20th of April. This lead to the company's assembly department to work six of the assembly hours as overtime. Overtime at WGM is paid at a time and a half.

Overheads:

WGM absorbs manufacturing overheads on the basis of labour hours.

	Assembly	Finishing	Total
Production overheads	N\$3 361 050	N\$4 212 150	N\$7 573 200
Direct labour hours	64 000	102 000	166 000
Machine hours	500	100	500

Pricing policy:

WGM adds a 25% margin to arrive at the selling price.

	Requirement:	25
a)	Calculate the total cost of Job A263.	20
b)	Determine the price charged by WGM to the customer.	2
c)	Briefly explain the situations that favours job costing.	3

Question 2

(25 marks)

The following information relates to Wheat Ltd., a manufacturing business that is considering the introduction of a piece-work incentive scheme in one of its departments, which has 6 employees.

Current Payroll

Basic working week	38 hours
Over-time premium	20% of normal pay grade.
Normal grade A pay rate	N\$22 per hour.
Normal grade B pay rate	N\$18 per hour.

Employee	Normal hours worked	Normal pay grade	Normal units produced
1	41	A	170
2	44	A	170
3	40	B	150
4	38	B	150
5	38	B	160
6	45	A	180

Piecework Incentive Scheme Proposal

Under the proposed incentive scheme, the standard time allowance would be 20 minutes per unit. The piecework rate would be based on grade A labour rates, with a standard piecework incentive of 6% when output exceeds standard. All employees would receive the same piecework rate.

	Requirement:	25
a)	Outline the purpose of an incentive scheme.	3
b)	Calculate the normal pay due to each employee based on the current payroll terms.	10
c)	Calculate the standard piecework rate on the basis of the proposed incentive scheme.	6
d)	Calculate the normal pay due to each employee under the terms of the proposed incentive scheme.	6

Question 3

(23)

- a) 'Within a relevant range, some costs are affected by changes in volume of activity while others remain constant'. (Hirsh, M. L , 2000).

Requirement:	8
Using examples, briefly explain the following four terms used in management accounting:	
i) Relevant range;	2
ii) Variable cost;	2
iii) Fixed cost;	2
iv) Mixed cost (Semi variable / semi fixed cost).	2

- b) The information below has been extracted from Carmella Limited, a manufacturer of cosmetics based in Okahandja.

Activity	Units	Units
Production	100 000	120 000
Sales	50 000	85 000
Costs	N\$	N\$
Direct material	350 000	420 000
Administration	88 000	88 000
Factory overhead	590 000	650 000
Production labour	380 000	430 000
Selling and Distribution	200 000	340 000

Requirement:	15
Showing all the necessary workings, prepare a statement of budgeted cost if the company plans to produce 110 000 units and sell 105 000 units.	

Question 4

(27 marks)

Music (Pty) Ltd is a small privately-owned company that manufactures musical instruments in Windhoek. One of their popular product is the violin. It has gained this popularity due to the ability of the company to custom make these violins. They allow their customers to choose the type of woods to be used, neck length, fret board inlays among other features. Due to the nature of the violins business arrangement, Music (Pty) Ltd does not keep a lot of materials in inventory as each violin is likely to have a different requirement in terms of materials. The company is labour intensive due to the fact that the violins are handmade meaning direct labour cost constitutes the greatest part of costs. Direct materials and direct labour costs are regarded as direct costs while manufacturing overhead cost as an indirect cost. Manufacturing overhead is allocated at 25% of direct labour cost. The following information pertains to the year ended 28 February 2018:

	N\$
Materials control, opening balance (1 March 2017)	25 000
Work in progress control, opening balance (1 March 2017)	43 000
Finished violins control, opening balance (1 March 2017)	12 000
Material purchased (Cash)	450 000
Direct materials used	423 000
Indirect materials used in production (consists mainly of screws, glue etc.)	35 000
Direct labour	980 000
Indirect labour incurred	120 000
Depreciation on manufacturing equipment	15 000
Sundry manufacturing overhead expenses (Rent, electricity, repairs, etc.)	105 000
Cost of violins manufactured	1 615 000
Revenues	3 000 000
Cost of violins sold (Before any adjustments)	1 600 000

	Requirement:	27
a)	Which costing system (job costing or process costing) will be the most appropriate for Music (Pty) Ltd? Motivate your choice.	3
b)	Prepare journal entries to record the transactions above in the books of the company (journal narrations are not required).	13
c)	Prepare Music (Pty) Ltd.'s Profit statement for the year ended 28 February 2018. Your answer should include schedules of cost of goods manufactured and cost of goods sold.	11

End examination paper

