NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS & FINANCE

QUALIFICATION: BACHELOR OF HOSPITALITY MANAGEMENT AND BACHELOR OF TOURISM MANAGEMENT	
QUALIFICATION CODE: 07BHMN & 07BOTM	**LEVEL: 6**
COURSE CODE: CAH610S	**COURSE NAME: COST & MANAGEMENT ACCOUNTING FOR HOSPITALITY AND TOURISM**
SESSION: JUNE 2019	**PAPER: CALCULATION AND THEORY**
DURATION: 3 HOURS	**MARKS: 100**

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER	Mr. H. Namwandi
MODERATOR:	Mr. L. Odada

INSTRUCTIONS

1. This question paper is made up of five (5) 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 your workings.
4. Pencil work will not be marked.
5. Questions relating to this paper 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.

PERMISSIBLE MATERIALS

Non-programmable calculator

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

QUESTION 1 (20 Marks)

Shoes limited operate a chain of shoe stores around the country. The stores stock many styles of shoes that are sold at the same price. In order to encourage sales personnel to be aggressive in their marketing efforts, the company pays a substantial sales commission on each pair of shoes sold. Sales personnel also receive a basic salary.

The following cost and revenue data relate to a store in Walvis Bay and are typical of any of the company's many outlets:

	N$
Sales price per unit	20.00
Variable expenses per unit	9.50
Sales commission per unit	2.50
Fixed expenses	
Rent	30,000
Advertising	20,000
Salaries	50,000

Shoes limited is a fairly new organization. The company has asked you, as a member of its planning group, to assist in some basic analysis of its stores and company policies.

Required: (answer each section independently)

1.1 Calculate the break-even point in dollars and in units for the Walvis Bay store. (4 marks)

1.2 If 12,000 pairs of Shoes are sold in one year, calculate the net profit or loss. (6 marks)

1.3 The company is considering paying the shop manager an additional incentive commission of 50 cents per pair of shoes. If this change is made, what will be the new break-even point in dollar? (4 marks)

1.4 What should the selling price per pair of shoes be, if the branch forecasts that the variable expenses will increase to N$10.00 and the branch wishes to sell 14,000 pairs and make a profit of N$20,000? (6 marks)

QUESTION 2 **(11 Marks)**

The management accountant of Shohoma Ltd has prepared the following budget for two different activity levels. He requires your analysis with the following cost elements:

Cost element	8 000 units N$	12 000 units N$
Direct material	22 400	33 600
Indirect material	6 750	9 750
Direct labour	65 000	85 000
Indirect labour	14 400	21 600
Depreciation	12 300	12 300
Property taxes	1 125	1 125
Electricity	14 240	21 360
Production overheads	8 475	12 225
Total	143 400	198 525

Required:

Prepare a flexible budget for Shohoma Ltd for 11 300 units.

QUESTION 3 **(10 Marks)**

Brent Ltd produces breakfast cereals in 1 kg boxes. The company normally experiences a loss of 6% in its production process in the form of spoilt units. The cost accountant has reported that these spoilt units normally have a total sales value of N$188. During the month of August, 250 kg of raw material was put into the process at a total cost of N$4 700. Actual production for the month was 220 kg. All the spoilt units were finally sold at a loss amounting to N$300.

Required:

Enter the above transactions for the month in the following ledger accounts and balance the accounts at the end of the month: Work in process, Normal loss, and Abnormal loss.

QUESTION 4 **(33 Marks)**

Mountain Enterprises manufacture a variety of products. Management has decided to invest in some new equipment and need to know if it has enough monies to make arrangements with the bank for financing. The following information is available:

	Actual			Budgeted		
Details	October	November	December	January	February	March
Cash sales (N$)	30 072	34 860	36 684	36 000	38 400	33 600
Credit sales (N$)	49 260	60 060	70 200	69 600	72 000	67 200
Purchases (N$)	71 448	82 164	84 096	82 800	85 200	80 400
Salaries and wages (N$)	7 896	7 896	7 896	7 896	7 896	7 896
Sundry expenses (N$)	2 244	2 328	3 048	2 460	2 580	2 250

Additional information:

1. Cash in respect of credit sales is collected as follows:
   50% during the month following sales
   30% during the second month following sales
   15% during the third month following sales
   5% is uncollectable (bad debts).

A discount of 10% is allowed on all cash sales.

3. All salaries, wages and sundry expenses are paid in cash at the end of each month.

4. Sundry expenses include depreciation of N$600 per month.

5. All purchases are on credit and paid during the month following that of the transaction. The rest represent cash payments.

6. On 30 March a dividend of N$2 500, that was declared in December, must be paid.

7. A tax payment of N$4 500 must be made in February.

8. New equipment costing N$12 000 will be purchased in February.

9. Cash in the bank on 31 December was N$10 550.

Required:

Prepare a monthly cash budget for January, February and March in columnar form.

QUESTION 5 (26 Marks)

Etuna Ltd manufactures and sells a particular type of pen. On 1 February 2018 the company budgeted and produce 48 000 pens. Actual information for the year ending 29 February 2018 was as follows:

Opening inventory (units)	500
Closing inventory (units)	3 500
	N$
Sales value (price per unit N$16.5)	742 500
Direct material	56 500
Direct labour	187 500
Variable manufacturing overheads	30 000
Fixed manufacturing overheads	75 000
Fixed administration costs	90 000
Variable selling costs per unit	0.50
Fixed selling costs	52 500

Required:

5.1 Prepare income statements according to both the Direct Costing method and the Absorption Costing method. (22 marks)

5.2 Reconcile the net income/loss figures that you have calculated in 3.1 above. (3 marks)

THE END