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 AND MANAGEMENT ACCOUNTING FOR HOSPITALITY AND TOURISM** |
| **SESSION: JULY 2019** | **PAPER: CALCULATION AND THEORY** |
| **DURATION: 3 HOURS** | **MARKS: 100** |

| **SECOND 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 4 PAGES** (Excluding this front page)

**QUESTION 1** **(21 Marks)**

Negumbo Ltd supplied the following budgeted figures for the first six months of 2020:

1 Sales (in units) are expected to be as follows:

| Jan | Feb | Mar | Apr | May | June |
|---|---|---|---|---|---|
| 250 | 250 | 300 | 350 | 350 | 350 |

All units are sold for N$100 each. All sales are on credit and customers are allowed one month's credit.

2 Purchases (in units) are expected to be as follows:

| Jan | Feb | Mar | Apr | May | June |
|---|---|---|---|---|---|
| 200 | 300 | 300 | 250 | 250 | 250 |

All units are bought for N$50 each on credit. Suppliers are paid one month after the items are purchased.

3 Wages are N$6 000 per month, payable in cash.

4 Rent of N$8 000 per annum is payable in two equal instalments on 1 January and 1 April of each year.

5 Lighting and heating will be payable in March, N$1 000.

6 Sundry expenses amount to N$900 per month, inclusive of N$100 depreciation.

7 Opening cash balance on 1 January, N$2 000.

**Required:**

Compile a Cash Budget, in columnar form, for each of the months January to March 2020. Clearly indicate the overdraft requirement per month. **Show all your workings, especially for sales and purchases.** (21 Marks)

**QUESTION 2** **(27 marks)**

Digolo Limited provides you with the following information:

| | |
|---|---|
| Selling price per unit | N$158.00 |
| **Variable manufacturing cost per unit:** | |
| Direct Material | N$25.00 |
| Direct Labour | N$47.20 |
| Manufacturing overheads | N$30.00 |
| Total fixed manufacturing cost: | N$190 000 |
| **Non-manufacturing cost:** | |
| Fixed marketing cost | N$60 000 |
| Fixed administration cost | N$90 000 |
| Sales commission | 10% of the selling price per unit |

**Required:**

2.1 Calculate the margin of safety ratio if Digolo Ltd sells 13 900 units during the period? *(5 Marks)*

2.2 Explain what is meant by margin of safety and illustrate how it is useful to management? *(2 Marks)*

2.3 A marketing research consultant has advised the company that a 10% decrease in selling price will give the company an advantage over its competitors in the form of lower prices. This will also increase the sales volume to 14 250 units compared to the current sales volume of 13 900 units. Management will only go along with this advice if it results in increased profits. Assuming that all inventory will be sold and this is the only change, prepare a marginal income statement based on the proposed new sales level, and show any relevant calculations, before advising management accordingly. *(15 Marks)*

2.4 Describe five limitations of break-even analysis as a method of business decision-making. (5 marks)

**Question 3** **(15 Marks)**

Nest Restaurant & Casino hired an auditor to check if proper accounting records have been kept during the current financial year. The auditor could not perform a proper audit because he discovered that there were no internal controls established in the restaurant. The auditor asked the board of directors of the company to set up internal controls of the company.

**Required:**

The board of directors of Nest Restaurant & Casino asked you to outline/list any 15 characteristics that make up a good internal control of the organisation.

**QUESTION 4** **(23 marks)**

FDS Limited manufactures and sells computer monitors. Actual data for the last year in respect of this company's 14-inch SVGA model were:

| | |
|---|---|
| Sales (units) | 24 000 |
| Production (units) | 26 000 |
| Opening stock (units) | 2 000 |
| Closing stock (units) | 4 000 |
| Selling price per unit | N$90 |
| Variable cost per unit | |
| Direct materials | N$20 |
| Direct labour | N$10 |
| Direct expenses | N$6 |
| Selling overhead | N$4 |
| Fixed costs for the year | |
| Production overhead (actual) | N$324 000 |
| Production overhead (budgeted) | N$300 000 |
| Selling overhead | N$110 000 |
| Administrative overhead | N$80 000 |

The company absorbs fixed production overhead on the basis of the annual budgeted volume of cost units, which was 25 000 for the year just ended.

**REQUIRED:**

Prepare FDS Limited's Statement of Comprehensive Income for the year just ended based on:

i. Absorption costing principles.
ii. Marginal costing principles.
iii. Reconcile the two profits as calculated above.

**Question 5** **14 Marks**

**Part A** **6 Marks**

Mr Walilato is employed as a handyman at Avani Hotel. He was given a task to go research on two types of costs that are incurred at the hotel namely, fixed cost and variable cost. Mr Walilato asked you explain the meaning of the two costs and how they behave in relation with an increase or decrease with units.

**Part B** **8 Marks**

Youmunde Breweries was established in 2018, the organisation specialised in manufacturing of cooldrinks. The management of Yomunde Breweries are considering implementing a process costing system in order to improve production volume and efficient. Management asked you to assist them with the following concepts.

Explain the following concept:

- Process costing;
- Normal loss;
- Abnormal loss;
- Abnormal gain.

**THE END**