



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF MANAGEMENT SCIENCES**

**DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE**

<b>QUALIFICATION : VARIOUS</b>	
<b>QUALIFICATION CODE: VARIOUS</b>	<b>LEVEL: 6</b>
<b>COURSE CODE: BAC212S</b>	<b>COURSE NAME: BUSINESS ACCOUNTING 2B</b>
<b>SESSION: JAN 2020</b>	<b>PAPER: THEORY</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

<b>SECOND OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	Mr. C Jerry
<b>MODERATOR:</b>	Mr. D Kamocho

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. This question paper is made up of four (4) questions.</li><li>2. Answer <b>ALL</b> the questions and in blue or black ink.</li><li>3. Start each question on a new page in your answer booklet.</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 &amp; any assumption made by the candidate should be clearly stated.</li><li>5. Programmable calculators are not allowed</li></ol>

**THIS QUESTION PAPER CONSISTS OF 3 PAGES** (Excluding this front page)

**Question 1****(20 Marks)**

Southways Ltd uses a standard absorption costing system. The company has budgeted the following figures for January 2019 for a capacity of 10 000 units:

	N\$
Direct material – 20 000 kg at N\$3 per kg	60 000
Direct labour – 10 000 hours at N\$5 per hour	50 000
Manufacturing overheads – variable (N\$1 per hour)	10 000
– fixed (N\$4 per hour)	<u>40 000</u>
	160 000

Variable manufacturing overhead is recovered on direct labour hours.

- During January 2019 the company started and completed 11 000 units. The following transactions were recorded:
- Credit purchases of material, 30 000 kg at N\$3.10 per kg.
- Material issued to production, 22 500 kg.
- Direct wages paid, 11 500 hours at N\$5 per hour.
- Manufacturing overheads incurred, variable N\$11 800
- Fixed Manufacturing overhead is N\$40 500.

**Required:**

Calculate the operating variances for January:

- |     |                                            |           |
|-----|--------------------------------------------|-----------|
| 1.1 | Material price variance                    | (2 marks) |
| 1.2 | Material quantity (usage) variance         | (3 marks) |
| 1.3 | Wage rate variance                         | (2 marks) |
| 1.4 | Labour efficiency variance                 | (3 marks) |
| 1.5 | Variable overhead expenditure variance     | (3 marks) |
| 1.6 | Variable overhead efficiency variance      | (2 marks) |
| 1.7 | Fixed overheads expenditure variance       | (2 marks) |
| 1.8 | Fixed production overheads volume variance | (3 marks) |

**Question 2****(30 Marks)**

The following budgeted information regarding the first quarter of 2019 were supplied by Chineke CC:

1. Expected sales:
 

January	5 000 units
February	3 000 units
March	7 000 units
2. Selling price per unit: N\$70
3. Opening and closing inventory of completed goods:

	<u>Opening inventory</u>	<u>Closing inventory</u>
January	1 000 units	?
February	1 500 units	1 600 units
March	?	1 700 units

4. Opening and closing inventory of raw materials:

		<u>Opening inventory</u>	<u>Closing inventory</u>
January:	Type A	8 000 kg	
	Type B	600 litres	
March:	Type A		9 000 kg
	Type B		750 litres

a) 5. Quantities of raw materials required to produce one unit:

Type A	4 kg
Type B	3 litres

b) 6. Prices raw materials:

Type A	N\$2 per kg
Type B	N\$1 per litre

c) 7. Direct labour required to produce one unit:

Category 1	2 hours per unit
Category 2	1 hour per unit

d) 8. Wage rates:

Category 1	N\$7 per hour
Category 2	N\$5 per hour

e) 9. Overheads are absorbed at a predetermined rate of N\$6 per direct labour hour

10. Administrative costs: N\$50 000 for the quarter  
Selling costs: N\$20 000 for the quarter

**Required:**

Prepare the following budgets of Chineke CC for the first quarter in months of 2019:

1. Production budget in units & N\$
2. Material purchases budget per type of material
3. Direct labour budget per category,

**Question 3**

**(30 Marks)**

The management of Mangope Corporation has supplied the following information for the next five months for the year 2019:

Items	Nov	Dec	Jan	Feb	Mar
	N\$	N\$	N\$	N\$	N\$
Sales (On account)	60 000	70 000	50 000	60 000	70 000
Salaries	20 000	22 000	21 000	22 000	23 000
Purchases	15 000	20 000	15 000	25 000	20 000
Other cash operating expenses (Including depreciation)	10 000	10 000	11 000	12 000	11 000

Additional information:

1. Collections of accounts receivable amount to 25% in the month of sales, 60% in the first month after sales, 10% in the second month after sales and 5% written off as uncollectible.
2. Purchases are paid for at the rate of 20% in the month of purchase and 80% in the first month following purchase.
3. Total depreciation for each month amount to N\$ 5000
4. Cash on hand at January is N\$ 6 000.

**Required:**

Prepare Mangope Corporation's cash budget for January, February, and March the year of 2019.

**Question 4**

**20 marks**

The National Food Company is comparing two projects – project X and project Y. Project X has a useful life of 6 years while project b has a useful life of 4 years. Both the projects require an equal initial investment of N\$180,000.

The information about cash inflow expected from project X and project Y is given below:

<b>Net Cash Flows</b>		
Year	Project X	Project Y
	N\$	N\$
1	60,000	60,000
2	60,000	60,000
3	50,000	60,000
4	40,000	60,000
5	30,000	
6	30,000	
7	20,000	

The management of National Food Company wants a 10% rate of return on capital investments.

**Required:**

- 1 computes the net present value of each project.      25 marks
- 2 Advise the National Food Company on which project, the company should invest in. 5 marks

**END**