NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: VARIOUS PROGRAMMES	
QUALIFICATION CODE: VARIOUS	**LEVEL: 5**
COURSE CODE: BAC1200	**COURSE NAME:** BUSINESS ACCOUNTING 1B
SESSION: JANUARY/FEBRUARY 2019	**PAPER:** THEORY AND CALCULATIONS
DURATION: 3 HOURS	**MARKS:** 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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MODERATOR:	Mushonga, E.

INSTRUCTIONS

1. This exam 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 & show all your 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.

PERMISSIBLE MATERIALS

1. Examination paper.
2. Examination script.

THIS QUESTION PAPER CONSISTS OF **7** PAGES (Including this front page)

QUESTION 1 **(30 marks)**

Each of the following questions has only ONE correct answer. Write down the answer which you think represents the correct answer, in the answer book provided.

1. A factory worker is paid N$9 per hour. She is expected to manufacture 3 units of a particular product per hour. During the past week she worked 40 hours and manufactured 165 units. If the firm remunerates its workers according to the time-based method, her total earnings for the week would be equal to:

A	N$346.50	D	N$405.00
B	N$360.00	E	N$458.00
C	None of the above		

2. The following statement is NOT true:

A	Total ordering cost = Cost per order x Number of orders
B	Total inventory cost = Total ordering cost + Total holding cost
C	Total holding cost = Re-order quantity x Holding cost per unit per year
D	Average inventory = Minimum inventory level + ½ (Economic order quantity)
E	Re-order level = Maximum usage x Maximum lead-time

3. The following statement is NOT true:

A	Inventory can be classified as raw material, work-in-process or finished goods.
B	The minimum inventory level can also be referred to as the firm's safety stock
C	Ordering costs include all costs relevant to the ordering and receipt of the raw material.
D	A new order for raw material should be placed as soon as the maximum inventory level is reached.
E	Maximum inventory level = Re-order level + EOQ – (Minimum usage x Minimum lead-time)

The following information refers to questions 4-6:

Average lead-time	½ month
Cost of placing an order	N$25
Maximum requirements per week	45 units
Minimum requirements per week	25 units
Annual operating/ working weeks	48 weeks
Annual storage cost per unit	N$1.00

4. An order for new stock should be made at the following inventory level

A	60	D	240
B	90	E	None of the above
C	360		

5. The minimum inventory level is:

A	15	D	70
B	51	E	None of the above
C	20		

6. The economic order quantity is:

A	298	D	280
B	250	E	None of the above
C	290		

7. An employee is paid N$18.00 per hour and normally works eight hours daily from Monday to Friday. During a certain week he also worked four (4) hours on Saturday for which he was remunerated at time-and-a-half. On Sunday he worked for five (5) hours at double rate. His gross wage for the week amounted to

A	N$882	D	N$1 008
B	N$918	E	N$1 048
C	N$1 080		

8. Which of the following are prime costs?

(i) Direct materials

(ii) Indirect labour

(iii) Indirect materials

(iv) Direct expenses

A	(i) and (ii)	D	(ii) and (iv)
B	(i) and (iii)	E	(i) and (iv)
C	(ii) and (iii)		

9. Which of the following would be classified as indirect labour?

A	Assembly workers in a car plant	D	Auditor
B	Bricklayers in a building company	E	Accountant
C	Stores assistants in a factory		

10. Fixed cost **per unit** is conventionally deemed to be:

A	Varied or changed per unit of output	D	Constant per unit
B	Constant in total	E	Changed in total
C	Outside the control of management		

11. Variable cost **per unit** is conventionally deemed to be:

A	Varied or changed per unit of output	D	Constant per unit
B	Constant in total	E	Changed in total
C	Outside the control of management		

12. Under-applied overheads means that:

A Applied/absorbed overheads are greater than actual overheads
B Actual overheads are less than applied/absorbed overheads
C Actual overheads are greater than as applied/absorbed overheads
D Applied/absorbed overheads are the same as actual overheads
E Applied/absorbed overheads are equal to actual overheads

13. Over-applied overheads means that:

A Applied/absorbed overheads are the same as actual overheads
B Actual overheads are less than applied/absorbed overheads
C Actual overheads are the same as applied/absorbed overheads
D Applied/absorbed overheads are less than actual overheads
E Applied/absorbed overheads are equal to actual overheads

14. One of the following is not an overheads allocation basis:

A Direct material cost
B Prime cost
C Machine hours
D Direct labour cost
E Floor area

15. Which type of cost is not included in conversion cost:

A Direct material cost
B Indirect materials cost
C Wages of carpenter
D Indirect labour cost
E Factory rent

QUESTION 2 **(30)**

"I know I'm a pretty good scientist, but I guess I still have some things to learn about running a business," said Domingu Masaka, founder and director of Medical Technology Ltd (hereafter "the Company"). "Demand had been so strong for our economical and value-for-money heart rate monitor that I was sure we'd be profitable immediately, just look at the gusher of red ink for the first quarter." The data to which Masaka was referring is shown below:

MEDICAL TECHNOLOGY LTD
Income Statement for the Quarter Ended 30 June 2018

	N$	N$
Sales		750 000
Less operating expenses:		
Selling and administrative salaries	9 000	
Utilities	20 000	
Cleaning supplies (production)	6 000	
Direct labour cost	80 000	
Depreciation (office equipment)	18 000	
Indirect labour cost	35 000	
Direct materials	45 000	
Maintenance (production)	4 000	
Rental cost (facilities)	6 000	
Insurance (production)	9 000	
Cleaners' wages	4 000	
Depreciation (production equipment)	7 000	
Supervisor (salespersons)	6 000	
Total operating expenses		(249 000)
Net profit		501 000

"At this rate we'll be in the business for the years to come," said Craig, the Company's accountant. "I am sure I've double-checked these figures, so I know they're right."

The following additional information is available on the Company's activities during the quarter ended 30 June 2018:

- Eighty percent of the rental cost for facilities and 90% of the utilities cost relate to manufacturing operations. The remaining amounts relate to selling and administrative activities.

REQUIRED:

(a) to calculate the following:

(i)	Prime costs	(2)
(ii)	Manufacturing overheads costs	(7)
(iii)	Conversion costs	(2)
(iv)	Product costs	(3)
(v)	Period costs	(6)

(b) to calculate, if the company manufactures and sells 15 000 units: (4)

(i) the unit costs per product in relation to direct materials cost; and
(ii) the selling price per unit.

(c) to explain the difference between a product and a period cost; and to provide two examples of each product cost and period cost for Medical Technology Ltd. (6)

QUESTION 3 **(20 Marks)**

The following information applies to Prosperity Entity:

		N$
Direct labour		70 000
Material purchased		90 000
Indirect labour		40 000
Advertisement expenses		126 000
Depreciation on plant machinery		23 000
Plant hire		61 000
Sales commission		5 000
Factory supervisory wages		11 000
Maintenance of plant machinery		17 000
Depreciation on office equipment		2 000
Material:	Opening inventory	11 000
	Closing inventory	13 000
Work in progress:	Opening inventory	10 000
	Closing inventory	14 000
Finished goods	Opening inventory	40 000
	Closing inventory	44 000

REQUIRED:

Draw up a statement of cost of sales for Prosperity Entity

QUESTION 4 **(20 marks)**

Namibia Fuels Limited (NFL) is a retail company in the oil and gas industry. The company normally uses 36 750 barrels in normal trading year. The current ordering costs including freight per order is N$2 350. On the other hand the cost of carrying/holding each barrel has been estimated by the finance director at N$120 per barrel per year. According to the available information on the stock card, NFL is currently purchasing 3 500 barrels per order. The company keeps average of 1 250 barrels to cover for emergencies should there be an unusual demand during the period. There has been doubt from the management as to whether the current ordering is the best for the company in terms of managing inventory costs.

REQUIRED:

a)	Assuming the company continues with the current order quantity i.e. 3 500 barrels per order, as per inventory card what would be the total inventory costs per annum?	5
b)	Should the management decide to use economic order quantity (EOQ) in their ordering system, how many barrels are ordered per order i.e. EOQ?	5
c)	Based on the requirement in b), and assuming the company has adopted the EOQ model and the company does not keep a minimum/safety stock. Calculate the total inventory costs per annum.	10

END OF QUESTION PAPER