NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF HOSPITALITY AND TOURISM

QUALIFICATION CODE: 07BHOM & 07BOTM	**LEVEL**: 6
COURSE CODE: CAH610S	**COURSE NAME**: COST & MANAGEMENT ACCOUNTING FOR HOSPITALITY & TOURISM
DATE: NOVEMBER 2024	**PAPER:** THEORY AND CALCULATIONS
DURATION: 3 HOURS	**MARKS:** 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS

1. This question paper comprises four (4) questions.
2. Answer **ALL** the questions in blue or black ink only. **NO** pencil
3. Start each question on a new page in your answer booklet and **show all workings**.
4. Work with four (4) decimal places in all your calculations and only round off only final answers to two (2) decimal places unless otherwise stated.
5. 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.

NON – PROGRAMMABLE CALCUTOR

1. Examination paper
2. Examination script

THIS QUESTION PAPER CONSISTS OF 6 PAGES (INCLUDING THIS FRONT PAGE)

QUESTION 1 **(30 MARKS)**

Each of the following questions (1.1 – 1.12) has only ONE correct answer. Please answer this question ON the answer sheet provided. E.g., 1.1 a

1.1 The following item is NOT a manufacturing overheads cost:

a) Depreciation of plant and equipment
b) Rent of office
c) Indirect labour
d) Indirect material

1.2 Conversion cost can be defined as:

a) The cost of the first stage of the manufacture of a product
b) The total direct labour and manufacturing overhead costs
c) The total direct costs of manufacturing a product
d) The total costs of manufacturing a product

1.3 The following statement is NOT true:

a) Total ordering cost = Cost per order x Number of orders
b) Safety inventory = Minimum inventory
c) conomic order quantity = Reorder level
d) Average inventory = Minimum inventory level + ½ (Economic order quantity)

1.4 The following item is NOT an example of direct material cost:

a) Cotton
b) Wood
c) Steel
d) Glue

The following details refer to questions 1.5 - 1.6:

Turtle Ltd supplied the following information for the past year:

	N$
Direct material used	100 000
Indirect labour cost	50 000
Direct labour cost	200 000
Indirect material used	20 000
Depreciation: plant and equipment	15 000
Sundry factory overheads	10 000
Depreciation: office building	5 000

1.5 The prime costs incurred during the year was:

a) N$150 000
b) N$200 000
c) N$250 000
d) N$300 000

1.6 The total manufacturing/production costs of the past year was:

a) N$295 000
b) N$300 000
c) N$395 000
d) N$400 000

The following details refer to questions 1.7 and 1.8:
A business has bought and sold identical items of inventory during 2024 as follows:

1/6/24	Bought	1 000 units	@ N$100 each
1/9/24	Bought	1 000 units	@ N$160 each
5/9/24	Sold	1 200 units	@ N$200 each

1.7 Using the first-in, first-out (FIFO) method what is the value of closing inventory.
a) N$128 000
b) N$120 000
c) N$104 000
d) N$100 000

1.8 Using the weighted average method what is the value of the value of closing inventory.
a) N$128 000
b) N$120 000
c) N$104 000
d) N$100 000

1.9 The first-in-first-out(FIFO) method of stock valuation would be most appropriate for:
a) A bicycle components retailer
b) A motor components retailer
c) A construction retailer
d) A food retailer

1.10 A firm produced 5 000 units during the past month and incurred the following costs: Fixed cost N$8 250; Variable cost N$12 500. The total cost budgeted for the following month for 3 500 units will be:
a) N$18 000
b) N$17 000
c) N$14 000
d) N$19 000

1.11 Under absorbed overheads occurs when:
a) The amount of actual overheads incurred is less than the overheads that have been charged to production
b) Actual overheads have fallen in relation to what they were expected to be
c) The amount of budgeted overheads is less than the actual overheads incurred.
d) The amount of overheads charged to production is lower than the actual overheads incurred.

1.12 A company has fixed costs of N$600 000 per annum. It manufactures a single product which it sells for N$200 per unit. Its contribution to sales ratio is 40%. The company's contribution margin per unit is:
a) N$60
b) N$120
c) N$80
d) N$160

1.13 A company manufactures a single product which it sells for N$160 per unit. Fixed costs are N$76 800 per month and the product has a variable costs to sales ratio of 60%. The company's contribution margin ratio is:

a) 60%
b) 50%
c) 40%
d) 30%

1.14 Fast-Food Ltd supplied the following details regarding its product:

Selling price per unit	N$600.00
Variable production cost per unit	N$200.00
Variable selling cost per unit	N$40.00
Fixed production cost per year	N$358 000
Fixed selling costs per year	N$60 000

Contribution margin ratio (%):

a) 60%
b) 50%
c) 40%
d) 30%

1.15 Fast-Food Ltd supplied the following details regarding its product:

Selling price per unit	N$600.00
Variable production cost per unit	N$200.00
Variable selling cost per unit	N$40.00
Fixed production cost per year	N$358 000
Fixed selling costs per year	N$60 000

Variable cost ratio (%):

a) 60%
b) 50%
c) 40%
d) 30%

QUESTION 2 **(25 Marks)**

Just – Phone Ltd management are in dispute as to which method of inventory valuation should be used. The records currently show that on 31 July 2024 the store had closing balance of 20 "fake-e-phone" worth N$10 000.

The following information regarding the movement of "fake-e-phones" was provided to you by the store manager during the month of August 2024:

Receipts from suppliers were as follow:

- 2 August: purchased 30 "fake-e-phones" at N$600 per phone.
- 4 August: purchased 10 "fake-e-phones" at a total cost of N$7 000.
- 7 August: purchased 15 "fake-e-phones" at N$750 per phone.
- 10 August: purchased 10 "fake-e-phones" at a total cost of N$8 000.

Phones were sold to customers as follow:

- 3 August: sold 25 "fake-e-phones" at N$800 per phone.
- 6 August: sold 20 "fake-e-phones" at N$900 per phone.
- 12 August: sold 30 "fake-e-phones" at N$1 200 per phone.

REQUIRED:		MARKS
a)	Record the above movement of the inventory in the store ledger card of Just – Phone Ltd by using the Weighted Average Method.	17
b)	Calculate the gross profit/loss of Just – Phone Ltd.	8

QUESTION 3 **[28 MARKS]**

KGH Ltd makes and sells one product, the following information is provided:

Actual figures:	N$
Direct material	55 800
Direct labour	59 400
Variable manufacturing overheads	27 000
Variable selling and administrative expenses	8 000
Fixed manufacturing overheads	47 000
Fixed selling and administrative expenses	21 000
Selling price	400

Production units 1 800

Units sold 1 600

KGH Ltd uses machine hours to allocate fixed manufacturing overheads.

The predetermined overhead rate/POR is N$10 per machine hour. Machine hours required to produce one product is 2.5 and total machine hours incurred during the period are 4 500.

REQUIRED:		MARKS
c)	Calculate the unit product cost using the direct costing method.	3
d)	Calculate the unit product cost using the absorption costing method.	4
e)	Prepare a statement of profit or loss according to the direct costing method.	8
f)	Prepare a statement of profit or loss according to the absorption costing method.	13

QUESTION 4 **[17 MARKS]**

Northern Industry Ltd manufactures a product called "Fake phone". Information for the past year was as follows:

Fixed costs	N$240 000
Selling price	N$80
Variable cost per unit	N$32
Contribution margin ratio	60%
Units sold	8 000

REQUIREMENTS		MARKS
a)	Calculate how many units must be sold each year to break even in **units and N$.**	6
b)	The company is planning to reduce the current selling price of its product by 10%. A market survey indicates that volume (units sold) will increase by 5% at this new price, but that the higher volume of production will cause fixed to increase by N$5 000 per year. Should the company proceed with the change? Give reasons for your answer. Show all necessary calculations by showing current net profit before the changes and net profit after the proposed situation.	11

END OF EXAMINATION PAPER