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: JANUARY 2025	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION PAPER	
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INSTRUCTIONS

1. This question paper is made up of five (5) 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   **(22 MARKS)**

Each of the following questions (1.1 – 1.11) has only ONE correct answer. Please answer this question ON the answer sheet provided. E.g. 1.1-A

1.1   The term "prime costs" refers to:
     A   Manufacturing costs incurred to produce units of output.
     B   All costs associated with manufacturing other than direct labour costs and direct material costs.
     C   The sum of direct labour costs and all factory overhead costs.
     D   The sum of direct material costs and direct labour costs.

1.2   The term conversion costs refers to:
     A   Manufacturing costs incurred to produce units of output.
     B   All costs associated with manufacturing other than direct labour costs and raw material costs.
     C   The sum of direct labour costs and all factory overhead costs.
     D   The sum of raw material costs and direct labour costs

1.3   The following cost is most representative of a direct cost:
     A   Glue in a furniture factory
     B   Electricity for machinery
     C   Supervisors' salaries
     D   Milk in the processing of cheese

1.4   Production costs are represented by:
     A   Direct material plus direct labour only
     B   Direct material plus manufacturing overheads only
     C   All manufacturing costs plus non-manufacturing costs
     D   Direct material plus direct labour plus factory overheads

1.5   The following inventories were received in the storeroom:

     1 January 2024   1 000 units at N$20 per unit
     15 January 2024   500 units at N$23 per unit

     On 31 January 2024, 1 250 units were issued to production. According to the weighted average method of pricing material, the value of the closing inventory would be:
     A   N$6 500
     B   N$2 750
     C   N$4 625
     D   N$5 250

1.5   The following item is an example of an overhead cost:
     A   Direct material
     B   Depreciation on factory equipment
     C   Direct labour
     D   Marketing costs

1.6   The following item is <u>NOT</u> an overhead cost:
     A   Rent paid on production equipment
     B   Insurance on factory building

C Direct labour

D Indirect material

1.7 The following statement is <u>NOT</u> true:

A Overheads can be under-absorbed or over-absorbed

B Budgeted overheads represent overhead costs that are estimated at the beginning of the accounting period, e.g. a year.

C Overheads absorbed is also called overheads recovered.

D Overhead costs are all direct costs

1.8 Under/Over-absorbed overheads is the difference between:

A Budgeted overheads and absorbed overheads

B Actual overheads and absorbed overheads

C Budgeted overheads and actual overheads

D Absorbed overheads and budgeted overheads

The following information refers to Questions 1.9 and 1.10:

	Budgeted figures	Actual figures
Manufacturing overhead costs	$26 600	N$$21 280
Direct labour hours	5 320 hours	6 800 hours
Machine hours	8 500 hours	7 450 hours

1.9 The manufacturing overhead predetermined rate is:

A N$3.13 per direct labour hour

B N$3.91 per direct labour hour

C N$4.00 per direct labour hour

D N$5.00 per direct labour hour

1.10 The amount of absorbed manufacturing overheads is:

A N$34 000

B N$21 284

C N$26 588

D N$27 200

1.11 A basis that is <u>NOT</u> suitable for the calculation of an overhead absorption rate is:

A Production units

B Direct labour cost

C Weight of direct material

D Machine hours

E Prime cost

QUESTION 2 (21 MARKS)

The management of Atlas Ltd is eager to know what affect the different price issue methods will have on their profits. The following are their transactions regarding Material Z12/18 for the past month:

1	Balance	100 kg at N$40 per kg
5	Receipts	200 kg at N$50 per kg
9	Receipts	150 kg at N$55 per kg
15	Issues	250 kg
19	Receipts	300 kg at N$45 per kg
27	Issues	350 kg

REQUIREMENTS:
Prepare a Stock Ledger Card and enter the above transactions according to the First-in-first-out (FIFO) method of pricing material issued to production.

QUESTION 3 [18 MARKS]

Maxime Ltd manufactures and sells a certain type of bag. The company has budgeted to sell 3 000 bags at a price of N$40 per bag during the next year. The following information regarding the company's costs is available:

Variable costs per bag:	N$
Direct material	120
Direct labour	60
Sales commission	20

Monthly fixed costs:	
Factory rent	80 000
Advertising	110 000
Salaries	260 000

REQUIREMENTS:
    (a) Calculate the contribution per bag   (3)
    (b) Calculate the Contribution ratio (Profit/Volume ratio)   (3)
    (c) Calculate the break-even point in sales value and in units   (6)
    (d) Calculate the margin of safety **in N$ and in units**   (6)

QUESTION 4   **[29 MARKS]**

You have been recently appointed as the new management accountant of Bushveld Steel, a business that specialises in the manufacturing of specialised tyres.

The raw materials that are used for manufacturing a tyre are rubber, steel belts, beads (steel coated in rubber), ply fabric and tread. Rubber is a major component that makes up 85% of the tyre. The tyre price has fluctuated over the period since June 2024.

You are provided the following information:

- 500 tyres are produced and sold in June 2024. It usually takes 1 000 machine hours to produce 500 tyres.

- Purchased rubber, steel belts, beads and other materials amounted to N$500 per tyre.

- Direct labourers are paid N$125 per tyre.

- Indirect labour cost is N$40 per tyre.

- Depreciation on the factory machinery in the processing department amounts to N$30 000 per month.

- Factory electricity: the cost formula is y = N$45b + N$50 000, where b is machine hours.

REQUIRED:		
(a)	Explain "sunk cost" and "opportunity costs"	(4)
(b)	From the above-mentioned costs identify which costs are variable, fixed, or mixed.	(5)
(c)	Calculate the primary cost per tyre.	(3)
(d)	Calculate the variable production cost per tyre	(5)
(e)	Calculate the total manufacturing overhead cost	(5)
(f)	Calculate the total conversion cost	(3)
(g)	"A variable cost is a cost that varies per unit of product, whereas a fixed cost is constant per unit of product." Do you agree? Explain.	(4)

QUESTION 5   **(10 MARKS)**

Northern and Southern Cola-Cola is considering the purchase of a special-purpose bottling machine for N$154 080. The plant manager estimates the following annual cash flow from the operations:

Year	Amount
	N$
1	40 000
2	40 000
3	50 000
4	80 000
Total	210 000

Northern and Southern Cola-Cola uses a required rate of return of 10% in its capital budgeting decisions. Ignore income taxes in your analysis. Assume all cash occur at year-end except for initial investment amounts.

REQUIRED:

Calculate the following for the Northern and Southern Cola-Cola:

   (a) Payback period   (5 marks)

   (b) Net present value   (5marks)

END OF EXAMINATION QUESTION PAPER

Present Value Tables

Number of Years	Interest Rate per Year														
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
1	.990	.980	.971	.962	.952	.943	.935	.926	.917	.909	.901	.893	.885	.877	.870
2	.980	.961	.943	.925	.907	.890	.873	.857	.842	.826	.812	.797	.783	.769	.756
3	.971	.942	.915	.889	.864	.840	.816	.794	.772	.751	.731	.712	.693	.675	.658
4	.961	.924	.888	.855	.823	.792	.763	.735	.708	.683	.659	.636	.613	.592	.572
5	.951	.906	.863	.822	.784	.747	.713	.681	.650	.621	.593	.567	.543	.519	.497
6	.942	.888	.837	.790	.746	.705	.666	.630	.596	.564	.535	.507	.480	.456	.432
7	.933	.871	.813	.760	.711	.665	.623	.583	.547	.513	.482	.452	.425	.400	.376
8	.923	.853	.789	.731	.677	.627	.582	.540	.502	.467	.434	.404	.376	.351	.327
9	.914	.837	.766	.703	.645	.592	.544	.500	.460	.424	.391	.361	.333	.308	.284
10	.905	.820	.744	.676	.614	.558	.508	.463	.422	.386	.352	.322	.295	.270	.247
11	.896	.804	.722	.650	.585	.527	.475	.429	.388	.350	.317	.287	.261	.237	.215
12	.887	.788	.701	.625	.557	.497	.444	.397	.356	.319	.286	.257	.231	.208	.187
13	.879	.773	.681	.601	.530	.469	.415	.368	.326	.290	.258	.229	.204	.182	.163
14	.870	.758	.661	.577	.505	.442	.388	.340	.299	.263	.232	.205	.181	.160	.141
15	.861	.743	.642	.555	.481	.417	.362	.315	.275	.239	.209	.183	.160	.140	.123
16	.853	.728	.623	.534	.458	.394	.339	.292	.252	.218	.188	.163	.141	.123	.107
17	.844	.714	.605	.513	.436	.371	.317	.270	.231	.198	.170	.146	.125	.108	.093
18	.836	.700	.587	.494	.416	.350	.296	.250	.212	.180	.153	.130	.111	.095	.081
19	.828	.686	.570	.475	.396	.331	.277	.232	.194	.164	.138	.116	.098	.083	.070
20	.820	.673	.554	.456	.377	.312	.258	.215	.178	.149	.124	.104	.087	.073	.061

Discount factors: Present value of $1 to be received after t years = $1/(1 + r)^t$.

Number of Years	Interest Rate per Year														
	16%	17%	18%	19%	20%	21%	22%	23%	24%	25%	26%	27%	28%	29%	30%
1	.862	.855	.847	.840	.833	.826	.820	.813	.806	.800	.794	.787	.781	.775	.769
2	.743	.731	.718	.706	.694	.683	.672	.661	.650	.640	.630	.620	.610	.601	.592
3	.641	.624	.609	.593	.579	.564	.551	.537	.524	.512	.500	.488	.477	.466	.455
4	.552	.534	.516	.499	.482	.467	.451	.437	.423	.410	.397	.384	.373	.361	.350
5	.476	.456	.437	.419	.402	.386	.370	.355	.341	.328	.315	.303	.291	.280	.269
6	.410	.390	.370	.352	.335	.319	.303	.289	.275	.262	.250	.238	.227	.217	.207
7	.354	.333	.314	.296	.279	.263	.249	.235	.222	.210	.198	.188	.178	.168	.159
8	.305	.285	.266	.249	.233	.218	.204	.191	.179	.168	.157	.148	.139	.130	.123
9	.263	.243	.225	.209	.194	.180	.167	.155	.144	.134	.125	.116	.108	.101	.094
10	.227	.208	.191	.176	.162	.149	.137	.126	.116	.107	.099	.092	.085	.078	.073
11	.195	.178	.162	.148	.135	.123	.112	.103	.094	.086	.079	.072	.066	.061	.056
12	.168	.152	.137	.124	.112	.102	.092	.083	.076	.069	.062	.057	.052	.047	.043
13	.145	.130	.116	.104	.093	.084	.075	.068	.061	.055	.050	.045	.040	.037	.033
14	.125	.111	.099	.088	.078	.069	.062	.055	.049	.044	.039	.035	.032	.028	.025
15	.108	.095	.084	.074	.065	.057	.051	.045	.040	.035	.031	.028	.025	.022	.020
16	.093	.081	.071	.062	.054	.047	.042	.036	.032	.028	.025	.022	.019	.017	.015
17	.080	.069	.060	.052	.045	.039	.034	.030	.026	.023	.020	.017	.015	.013	.012
18	.069	.059	.051	.044	.038	.032	.028	.024	.021	.018	.016	.014	.012	.010	.009
19	.060	.051	.043	.037	.031	.027	.023	.020	.017	.014	.012	.011	.009	.008	.007
20	.051	.043	.037	.031	.026	.022	.019	.016	.014	.012	.010	.008	.007	.006	.005

Note: For example, if the interest rate is 10% per year, the present value of $1 received at year 5 is $.621.