# namibia university
## OF SCIENCE AND TECHNOLOGY

## FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

### ECONOMICS, ACCOUNTING AND FINANCE

| QUALIFICATION CODE: 07BHOM & 07BOTM | LEVEL: 6 |
|---|---|
| COURSE CODE: CAH610S | COURSE NAME: COST & MANAGEMENT ACCOUNTING FOR HOSPITALITY & TOURISM |
| DATE: NOVEMBER 2022 | MODE: FT |
| DURATION: 3 HOURS | MARKS: 100 |

| FIRST OPPORTUNITY EXAMINATION PAPER | |
|---|---|
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| MODERATOR: | Odada, L. |

| INSTRUCTIONS |
|---|
| 1. Answer ALL the questions. |
| 2. Write clearly and neatly. |
| 3. Number the answers clearly. |

### NON – PROGRAMMABLE CALCUTOR
1. Examination paper
2. Examination script

**THIS QUESTION PAPER CONSISTS OF 7 PAGES** (INCLUDING THIS FRONT PAGE)

## QUESTION 1 (26 MARKS)

Each of the following questions (1. - 10) has only ONE correct answer. Please answer this question ON the answer sheet provided. E.g. 1. D

**Use the following information to answer 1 – 3:**

An organisation has the following total costs at two activity levels:

| Activity level (units) | 15 000 | 24 000 |
|---|---|---|
| Total costs | N$380 000 | N$452 000 |

Variable cost per unit is constant in this range.

1. Variable cost per unit in this activity range is:
   - A    N$23.33
   - B    N$18.83
   - C    N$9.00
   - D    N$8.00

2. The amount of total fixed costs in this range is:
   - A    N$380 000
   - B    N$452 000
   - C    N$260 000
   - D    N$360 000

3. What are the total costs at an activity level of 18 000 units?
   - A    N$380 000
   - B    N$452 000
   - C    N$440 000
   - D    N$404 000

**Use the following information to answer 4 and 5:**

Kandongo Wood Joinery, a friend of yours, has recently set up a small business making chairs. He has supplied you with the following figures, and has asked for your advice on a few issues:

| Costs per month | N$ |
|---|---|
| Wood | 40 000 |
| Carpenter | 54 000 |
| Manufacturing overheads | 20 000 |

The above total production costs are based on producing 600 chairs per month.

4. The cost per chair is:
   - A    N$118
   - B    N$190
   - C    N$138
   - D    N$130

5. What would be the selling price per curtain, if Kandongo Wood Joinery wanted a mark-up of 20%?
   - A    N$240
   - B    N$210
   - C    N$228
   - D    N$230

2

**Use the following information to answer 6 - 9:**

Namwandi company Ltd makes concrete bricks made up of cement and sand. Additional information is as follows:

| | N$ |
|---|---|
| Building materials (bricks, cements, zincs, etc.) | 100 000 |
| Indirect labour cost | 50 000 |
| Wages of builders, electricians, and plumbers | 200 000 |
| Indirect material used | 20 000 |
| Depreciation of office equipment | 100 000 |
| Other factory overhead costs | 50 000 |

6. The amount of prime cost for the period is:

   A     N$300 000
   B     N$350 000
   C     N$400 000
   D     N$450 000

7. The amount of manufacturing overheads cost for the period is:

   A     N$230 000
   B     N$220 000
   C     N$110 000
   D     N$120 000

8. Costs that are unaffected by a choice between alternatives and have been included in the past is:

   A     sunk cost
   B     period cost
   C     product cost
   D     direct cost

9. In the code of ethics followed by management accountants, confidentiality is:

   A     being honest, standing for what is right
   B     being courteous and decent
   C     not revealing or disclosing privileged or private information
   D     accepting the consequences of actions and decisions

10. In the code of ethics followed by management accountants, accountability is:

    A     being just and unbiased
    B     being courteous and decent
    C     not revealing or disclosing privileged or private information
    D     accepting the consequences of actions and decisions

11. The type or branch of accounting that generates reports for the use of external parties such as creditors, investors and government agencies is known as:

    A     Financial accounting
    B     Managerial accounting
    C     Tax accounting
    D     Forensic accounting

12. The branch of accounting that generates reports and information for the use of internal management is known as:

    A     Tax accounting
    B     Management accounting
    C     Auditing
    D     International accounting

13. Wellington Ltd used a predetermined overhead rate during 2022 of N$3 per direct labour hour, based on an estimate of 24 000 direct labour hours to be worked during the year. Actual costs and activity during 2022 were: Actual manufacturing overhead cost incurred, N$84 000; Actual direct labour hours worked, 27 000. The under- or over-applied overhead for 2022 would be:

A  N$3 000 under-applied
B  N$3 000 over-applied
C  N$120 000
D  N$9 000

**QUESTION 2**                                                             **(20 MARKS)**

Lolo Wood Store management uses Weighted Average inventory valuation method and is in dispute on which method of inventory valuation should be used. The records currently show that on 28 February 2022 the store had a closing balance of 600 metres worth N$6 000 in total. The following information regarding the movement of fruits was provided to you by the store manager during the month of March 2022. The value of metres issued to the production has been obtained by using Weighted Average method methods of pricing material issues:

**Receipts (purchases) from suppliers were as follows:**

- 1 March: Received 240 meters at N$156.25 per meters.
- 2 March: Received 100 meters at a total cost of N$16 440.
- 4 March: Received 130 meters at N$168 per meters .

**The issue made to customers were as follow:**

- 3 March: Dispatched 200 meters.
- 5 March: Dispatched 150 meters .

| REQUIRED | MARKS |
| --- | --- |
| Record the above movement of the inventory in the store ledger card of Lolo Wood Store and determine the number of units and the total value in N$ as of 10 March 2022 | 20 |

## QUESTION 3                                                   (20 MARKS)

Chick McFarm has developed a new recipe to cook chicken pieces and decides to open a take-way restaurant in Katutura. Chick McFarm asks NUST for help with the market research.

The University finds that Chick McFarm should sell 700 pieces, on average, per month.

**The following total costs are available:**

- Chicken pieces            N$31 500

**Other ingredients:**

- Salt              N$50
- Onion powder      N$385
- Garlic powder     N$455
- Olive oil         N$840

Chick McFarm provides you with total fixed costs to be occurred in take-way restaurant for the month as follows:

- Chef salary                           N$25 500
- Supervisor salary                     N$50 000
- Depreciation of cooking equipment     N$15 000
- Cleaner salary                        N$5 000

**You are required to calculate the following total costs per month:**

a) Indirect materials cost          (4)

b) Prime cost                       (4)

c) Manufacturing overhead cost      (4)

d) Conversion cost                  (4)

e) Indirect labour cost             (4)


## QUESTION 4                                                   (22 MARKS)

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

| Actual figures: | N$ |
|---|---|
| Direct material | 28 000 |
| Direct labour | 30.000 |
| Variable manufacturing overheads | 14 000 |
| Variable selling and administrative expenses | 4 000 |
| Fixed manufacturing overheads | 23 500 |
| Fixed selling and administrative expenses | 10 500 |

| | |
|---|---|
| Production | 900 units |
| Units sold | 800 units |
| Selling price | N$200 |

KGH Ltd use machine hours to allocate fixed manufacturing overheads.

The absorption rate is N$16 per machine hour. It normally takes 1.5 machine hours to produce one product.

**REQUIRED:**

Prepare the statements of profit or loss for the period for management using:

a) Direct costing          (8)

b) Absorption costing     (12)

**QUESTION 5**                                                  (12 MARKS)

The management of Penguin CC presently considers investing in a new machine which it believes will increase productivity in its factory. The initial cash outlay will be N$334 000 and a return of at least 12% per annum is required on all new capital projects. It is estimated that the following cash flows will be derived from operations with this new machine:

| Year | Cash flow |
|------|-----------|
| 1 | N$155 000 |
| 2 | N$144 000 |
| 3 | N$75 000 |
| 4 | N$ 61 000 |
| 5 | N$12 161 |

**Additional information:**

The factory supervisor is of the opinion that this machine will have an economic useful life of 5 years after which it will most probably have no resale value.

**REQUIRED:**

Make a recommendation to the management of the corporation as to the viability of investing in this machine. Make use of the net present value method.   (12)

**END OF EXAMINATION 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.