



PAMIBIA  
UNIVERSITY  
OF SCIENCE AND  
TECHNOLOGY

**HP-GSB**  
HAROLD PUPKEWITZ  
Graduate School of Business

## FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

### HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS

<b>QUALIFICATION: DIPLOMA IN BUSINESS PROCESS MANAGEMENT</b>	
<b>QUALIFICATION CODE: 06DBPM</b>	<b>LEVEL: 6</b>
<b>COURSE CODE: BAC521C</b>	<b>COURSE NAME: BUSINESS ACCOUNTING 1B</b>
<b>SESSION: JULY 2023</b>	<b>PAPER: PAPER 2</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

### SECOND OPPORTUNITY EXAMINATION QUESTION PAPER

<b>EXAMINER</b>	Lameck Odada
<b>MODERATOR</b>	Hendrina Kangala

### INSTRUCTIONS

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

### PERMISSIBLE MATERIALS

1. Silent, non-programmable calculators

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

**QUESTION 1**

**[20 MARKS]**

**For questions 1.1 – 1.10, just write the answer only (the correct letter chosen) in your answer book and not on the question paper. Do not copy the question again**

- 1.1 An opportunity cost is
- a) the difference between the total cost of one alternative and the total cost of another alternative.
  - b) the benefit forgone when one alternative is selected rather than another.
  - c) a cost that is saved by not adopting a given alternative.
  - d) a cost that continues to be incurred even when there is no alternative.
- 1.2 At the Economic Order Quantity (EOQ) point,
- a) the holding cost and ordering cost are equal.
  - b) the holding costs and ordering costs are high.
  - c) the inventory is at the minimum level.
  - d) the inventory is at the maximum level.
- 1.3 In inventory control, the minimum inventory level is
- a) the maximum stock level to be maintained.
  - b) the minimum stock level to be maintained.
  - c) the average stock level to be maintained.
  - d) the most economic stock level to be maintained.
- 1.4 Overhead cost is made up of
- a) all indirect cost
  - b) all direct cost
  - c) direct and indirect cost
  - d) all unspecified cost
- 1.5 Idle time is \_\_\_\_\_
- a) time spent by workers in a factory.
  - b) time spent by workers in the office.
  - c) time spent by workers off their work.
  - d) All of the above.
- 1.6 Overtime is \_\_\_\_\_
- a) actual hours being more than normal time
  - b) actual hours being less than the standard time

- c) standard hours being more than actual hours
  - d) actual hours being less than planned hours
- 1.7 Allotment of overhead incurred for a particular cost centre to a specific cost centre is referred to as
- a) allotment
  - b) primary allocation
  - c) allocation
  - d) secondary allocation
- 1.8 A profit centre is a responsibility centre
- a) that sells its output outside the company.
  - b) whose manager is responsible for both revenue and costs.
  - c) that provides a service to another responsibility centre.
  - d) within an investment centre.
- 1.9 An extra inventory carried in stock during periods where the demand is uncertain and/ or lead time is uncertain is referred to as
- a) extra inventory.
  - b) maximum inventory.
  - c) safety inventory.
  - d) minimum inventory.
- 1.10 Which of the following is an advantage of FIFO method of valuing inventory
- a) Easy to understand and operate.
  - b) Helps to avoid deterioration and obsolescence.
  - c) Value of the closing inventory of materials will reflect the current market prices
  - d) All of the above

**QUESTION 2****[30 MARKS]****THIS QUESTION CONSISTS OF TWO (2) UNRELATED PARTS****PART 1****(22 Marks)**

Kanu Ltd, a sister company of Kau Ltd, manufactures mahangu cereal from mahangu flour and their secret ingredient, a special raw material X that is imported from South Africa. Raw material X is purchased at N\$54 per kg. Kanu Ltd incurs a handling cost of N\$350 plus freight of N\$400 every time they place an order. The carrying cost of inventory of raw material X is N\$14 per kg per annum. Kanu Ltd uses 1 kg of raw material X to produce 2 cereal boxes. The company has an annual requirement to produce 94,500 boxes of mahangu cereal.

REQUIRED		MARKS
a)	Calculate the economic order quantity of raw material X	5
b)	Calculate the annual cost of inventory when Kanu Ltd orders raw material X at the EOQ.	8
c)	The manager of Kanu Ltd believes that the company would save more if they ordered 3,150 units instead of the EOQ. Calculate the total cost of inventory at this ordering quantity of inventory	6
d)	The manager of Kanu Ltd believes that the company would save more if they ordered 3,150 units instead of the EOQ. Advise Kanu Ltd on the quantity of inventory they should use between the two (2) quantities	3

**PART 2****(8 Marks)**

Kandetú and Collen are vessel technicians at Sea Sharks, a fishing company. Kandetú is remunerated at N\$50 per hour and Collen at N\$45 per hour. Both employees have a 40-hour work week.

The following information is available in respect of deductions from their gross remuneration:

- Medical aid: 5% of the basic wage payable by each employer and the employee
- Pension fund: 8% of the basic wage payable by each employer and the employee
- PAYE: 25% for Kandetú and 18% for Collen
- Social Security: 0,9% of gross income payable by each of the employer and the employee (Note: In Namibia, this contribution is limited to N\$81 per month)



The two employees worked as follows for the week ending 11 February 2022

	<b>Kandetu</b>	<b>Collen</b>
	<b>Hours</b>	<b>Hours</b>
Monday	10	10
Tuesday	10	8
Wednesday	8	9
Thursday	10	9
Friday	8	8
Saturday	4	0
Sunday	0	3

Overtime is remunerated as follows:

- Normal overtime: 1½ times the basic rate
- Sundays and public holidays: twice the basic rate

<b>REQUIRED</b>	<b>MARKS</b>
Calculate the net wage payable to Collen to the nearest dollar	<b>8</b>

### QUESTION 3

**[25 MARKS]**

The following are the operating details of Bunny Ltd for the year ended 31 December 2022. The company uses job order costing system and the following relates to one of its major client undertakings:

1. Direct material:
 

On hand at 1 January 2022:	40 000 kg at N\$2.50 per kg
Purchases:	180 000 kg at N\$2.70 per kg
On hand at 31 December 2022:	20 000 kg
2. Direct labour:
 

80 000 direct labour hours at N\$4 per hour
---
3. Manufacturing overheads:
 

Recovered at N\$6 per direct labour hour
--
4. Work in Progress:
 

On hand at 1 January 2022:	N\$100 000
On hand at 31 December 2022:	N\$ 80 000

5. Finished goods:
  - On hand at 1 January 2022: 4 000 units at N\$90 per unit
  - Manufactured during the year: 20 000 units
  - On hand at 31 December 2022: ?
6. Sales:
  - 18 400 units at N\$200 per unit
7. Marketing and administrative expenses N\$980 000
8. Actual manufacturing overheads N\$464 000
9. Inventory valuation method in use: FIFO
10. Manufacturing overheads over or under applied must be charged to cost to sales.

REQUIREMENT	MARKS
Prepare journal entries to record the above transactions relating to Banny Ltd.'s major client for the year ended 31 December 2022	25
<b>TOTAL</b>	<b>25</b>

#### QUESTION 4

[25 MARKS]

Solar Technology Limited (STL) has been operating for the last four years in the solar industry. They manufacture a single product, batteries which are of the same size and capacity. The company is facing two challenges: They recently lost their warehouse due to a fire that gutted the warehouse as such; the company urgently needs bank finance in order to reconstruct the warehouse. The second problem is that the company is battling with the costing of output for the year. The following information is prepared for you to enable you to advise management accordingly:

#### STL: Statement of Comprehensive Income: 28 February 2023

	N\$	N\$
Sales (32 000 batteries)		960 000
Less operating Expenses		
Fixed Selling & Distribution cost	110 000	
Promotion	90 000	
Factory Maintenance costs	43 000	
Cleaning supplies (Production)	7 000	

Indirect labour	120 000	
Purchases of raw materials	360 000	
Rental costs (facilities)	75 000	
Plant insurance	8 000	
Depreciation (office equipment)	27 000	
Depreciation (plant)	100 000	
Power and lighting	80 000	
Production labour	70 000	
Sales commission	<u>40 000</u>	
Total operation expenses		<u>1 130 000</u>
Net Loss		<u>(N\$170 000)</u>

**Additional information**

- 80 % of the rental costs relate to non-production facilities while 20% of the power and lighting also relates to non-production activities.
- Inventory on 28 February 2023: unused materials N\$10 000, unfinished production N\$50 000 and unsold 8 000 batteries.

REQUIRED	MARKS
Prepare a manufacturing statement for the year ending 28 February 2023. Show your calculations of cost per unit and cost of sales	25

**END OF EXAMINATION QUESTION PAPER**