namibia university
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

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

SECOND OPPORTUNITY EXAMINATION PAPER	
EXAMINER	Sheehama, K.G.H.
MODERATOR	Odada, L.
INSTRUCTIONS	

1. This question paper is made up of 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 8 PAGES (INCLUDING THIS FRONT PAGE)

QUESTION 1 (30 MARKS)

Each of the following questions (1.1 – 1.15) has only ONE correct answer. Please answer this question ON the answer sheet provided. E.g. 1.1-A

1.1 Management accounting is used by:

    a) Shareholders

    b) Internal managers

    c) Employees

    d) External users

    e) None of the above

1.2 Management accounting has the following functions:

    a) Providing information to external parties

    b) Estimating costs of products and services

    c) Providing information for internal use

    d) a and c

    e) b and c

1.3 In the code of ethics followed by management accountants, integrity is:

    a) Being honest, standing for what is right

    b) Being just and unbiased

    c) Being courteous and decent

    d) Not revealing or disclosing privileged or private information

    e) Accepting the consequences of actions and decisions

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

    a) Being honest, standing for what is right

    b) Being just and unbiased

    c) Being courteous and decent

    d) Not revealing or disclosing privileged or private information

    e) Accepting the consequences of actions and decisions

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

    a) Being honest, standing for what is right

    b) Being just and unbiased

    c) Being courteous and decent

    d) Not revealing or disclosing privileged or private information

    e) Accepting the consequences of actions and decisions

1.6 Fixed cost per unit:

    a) Increases as activity volume decreases

    b) Remains constant with volume of activity

    c) Increases as activity volume increases

    d) Dcreases as activity volume increases

    e) b and c

1.7 A cost that will change in the future due to a decision being made is known as:

    a) An opportunity cost

    b) A sunk cost

    c) A changing cost

    d) An incremental cost

    e) A relevant cost

1.8 Conversion costs include:

    a) Direct labour

    b) Direct material

    c) Direct material and manufacturing overheads

    d) Direct labour and direct materials

    e) Direct labour and manufacturing overheads

1.9 Costs unaffected by a choice between alternatives and have been included in the past is:

    a) A sunk cost

    b) A period cost

    c) A product cost

    d) A direct cost

    e) An indirect cost

1.10 Variable cost per unit:

    a) Increases as activity volume decreases

    b) Remains constant with volume of activity

    c) Decreases as activity volume increases

    d) a and b

    e) b and c

1.11   A company has fixed costs of N$60 000 per annum. It manufactures a single product
        which it sells for N$20 per unit. Its variable cost to sales ratio is 60%. The company's
        break-even point in **N$** is:

   a) N$240 000

   b) N$260 000

   c) N$160 000

   d) N$150 000

   e) None of the above

1.12   Luxury Hotel Ltd supplied the following details regarding its product:

Selling price per unit	N$600.00
Variable production cost per unit	N$120.00
Variable selling cost per unit	N$40.00
Fixed production cost per year	N$358 000
Fixed selling costs per year	N$60 000

The contribution margin per unit is:

   a) N$160

   b) N$560

   c) N$440

   d) N$480

   e) None of the above

The following details refer to questions 1.13 and 1.14:

Nam-Shoes Ltd currently sells 2 500 pairs of shoes per year. Other details for the past year
are as follows:

Selling price per pair of shoes	N$200
Purchase cost per pair of shoes	N$125

Annual fixed costs:

Salaries	N$65 000
Advertising	N$20 000
Miscellaneous	N$35 000

1.13   The company's break-even in number of shoes is:

   a) 1 200

   b) 1 400

   c) 1 600

   d) 1 500

   e) None of the above

1.14 Assume that for the next year an additional fixed advertising campaign costing N$8 700 is proposed, whilst at the same time selling price is increased by 12%. In this case the new contribution margin per pairs of shoes will be:

a) N$75.00

b) N$99.00

c) N$77.50

d) N$97.50

e) None of the above

1.15 A firm's water and electricity account would normally be classified into the following category:

a) Fixed cost

b) Variable cost

c) Stepped fixed cost

d) Semi-variable/mixed cost

e) None of the above

QUESTION 2 (20 MARKS)

The Patio is a manufacturer of garden furniture that has consistently used First-In-First-Out (FIFO) in valuing inventory. The management of the Patio are now interested in knowing the effect of using Weighted Average Cost (AVCO) in inventory valuation instead of FIFO. The following transactions for the Patio were recorded for the period:

2 August	Opening inventory	100 units	@N$50 per unit
5 August	Received	120 units	@N$57.50 per unit
6 August	Issued/sales	200 units	
7 August	Received	180 units	@N$60 per unit
8 August	Issued/sales	150 units	
9 August	Return to supplier units purchased on 7 August	20 units	

REQUIRED:		MARKS
a)	Prepare an inventory ledger card of the Patio for the month of August using four columns showing the date, receiving, issuing, and balancing columns. Each column contains quantity, unit price and the total amount	14
b)	Calculate the gross profit of the Patio. Assume that the selling price is N$300 per unit.	6

QUESTION 3 (20 MARKS)

Angie Silva has recently opened The Sandal Shop in Rundu, a store that specializes in fashionable sandals. Angie has just received a degree at the NUST and she is anxious to apply the principles she has learned. In time, she hopes to open a chain of sandal shops.

As a first step, she has prepared the following analysis for her new store:

Sales price per pair of sandals	N$400
Variable expenses per pair of sandals	160
Contribution margin per pair of sandals	N$240
A pair of sandals sold	320

Fixed expenses per year:

Building rental	N$15 000
Equipment depreciation	7 000
Selling expenses	20 000
Administrative expenses	18 000
Total fixed expenses	N$60 000

	REQUIRED:	MARKS
a)	Calculate how many pairs of sandals must be sold each year to break even in **units and N$**.	6
b)	Angie has decided that she must earn at least N$31 200 as a profit in the first year to justify her time and effort. Calculate how many pairs of sandals must be sold to reach this target profit.	3
c)	Angie now has two salespersons working in the store – one full-time and one part-time. It will cost her an additional fixed expense N$40 000 per year to convert the part-time position to a full-time position. Angie believes that the change will bring in an additional 300 pairs of sandals annually. Would you recommend her to change the position?	11

QUESTION 4 (30 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:		MARKS
a)	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.	10
b)	Calculate the discounted payback period of the project	10
c)	Mr Nicol, one of the senior members of the corporation has stated that, according to his calculations, the actual rate of return of this investment is 15%. State, with reasons, whether you agree with Mr Nicol or not. You may substantiate your statement with the aid of additional calculations	10

END OF EXAMINATION QUESTION PAPER

APPENDIX TABLE 1

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.