



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BGAC	LEVEL: 6
COURSE CODE: CMA611S	COURSE NAME: COST & MANAGEMENT ACCOUNTING 201
SESSION: JUNE 2025	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINERS	Mrs Modestus, M., Ms Mkhulisi, M., Ms Shikoyeni, F., and Sheehama, K.G.H.
MODERATOR	Kangala, H.

INSTRUCTIONS	
<ul style="list-style-type: none"> • Answer ALL the questions in blue or black ink only. NO PENCIL. • Start each question on a new page, number the answers correctly and clearly. • Write clearly, and neatly showing all your workings/assumptions. • Work with at least four (4) decimal places in all your calculations and only round off only final answers to two (2) decimal places. • Questions relating to this examination may be raised in the initial 30 minutes after the start of the examination. Thereafter, candidates must use their initiative to deal with any perceived errors or ambiguities and any assumptions made by the candidate should be clearly stated. 	

PERMISSIBLE MATERIALS

- Silent, non-programmable calculators

THIS QUESTION PAPER CONSISTS OF 6 PAGES (excluding this front page)

QUESTION 1**(15 marks)**

In each of the following questions, ON THE PROVIDED ANSWER SHEET, choose the letter that, in your opinion, represents the correct answer: E.g., 1. E

1. Games Stores is planning to diversify into other products. The management accountant has produced the following budget for the next 12 months:

Product	Sales (in units)	Selling price per unit (N\$)	Variable ratio
Jugs	30 000	200.00	0.40
Kettles	10 000	400.00	0.30

Budgeted fixed costs are N\$240 000 per annum.

Budgeted average contribution margin per unit will be: (2 marks)

- A N\$400.00
- B N\$120.00
- C N\$280.00
- D N\$160.00
- E None of the above

2. Games Stores is planning to diversify into other products. The management accountant has produced the following budget for the next 12 months:

Product	Sales (in units)	Selling price per unit (N\$)	Variable cost per unit (N\$)
Light bulbs	30 000	200	0.40
Mugs	10 000	400	0.3

Budgeted fixed costs are N\$240 000 per annum.

The break-even in units will be: (2 marks)

- A 400 units
- B 500 units
- C 1 500 units
- D 1 600 units
- E None of the above

3. A company operates a process that produces two joint products, X and Y. The joint costs amounted to N\$117 000 during the past month. Other details are as follows:

Product	Output (kg)	Selling price	Sales (kg)
X	5 000	N\$200	4 000
Y	15 000	N\$300	14 000

If joint costs are apportioned on a physical unit basis, the joint cost allocated to Product Y will be: (2 marks)

- A N\$87 000
- B N\$87 700
- C N\$87 750
- D N\$87 770
- E None of the above

4. A company operates a process that produces two joint products, X and Y. The joint costs amounted to N\$117 000 during the past month. Other details are as follows:

Product	Output (kg)	Selling price	Sales (kg)
X	5 000	N\$200	4 000
Y	15 000	N\$150	8 000

If joint costs are apportioned on a sales value at split basis, the joint cost allocated to Product X will be: (2 marks)

- A N\$48 600
 - B N\$46 700
 - C N\$46 800
 - D N\$48 700
 - E None of the above
5. HELAO Ltd uses a process costing system. During the month they put 500 units of total manufacturing costs of N\$33 750. The company has estimated that the normal loss would be 10%.
The unit cost of "good unit" is: (2 marks)
- A N\$55.00
 - B N\$65.50
 - C N\$67.50
 - D N\$75.00
 - E None of the above
6. Caleb Ltd uses a process costing system. During the month they put 6 400 units of total production at a cost of N\$276 800. The company has estimated that the normal loss would be 5% with a scrap value of N\$100 per unit.
The amount to be transferred to finished goods account is. (2 marks)
- A N\$276 800
 - B N\$273 600
 - C N\$264 000
 - D N\$270 000
 - E None of the above
7. A firm has two producing departments: Department A and Department B. Department A processes the raw material and then transfers it to Department B. After Department B has put on its finishing touches, it transfers the product to finished goods inventory.
During the month, Department A put 570 000 units into process and had 126 000 ending units in process at the end of the month. Department B had 72 000 units in process at the end of the month. The firm's direct material is added at the beginning of the production process in Department A. Department A's ending units in process were 60% complete with respect to conversion costs.
The number of equivalent units completed in Department A during the month with respect to conversions costs was: (2 marks)
- A 444 000
 - B 324 600
 - C 486 600
 - D 519 600
 - E None of the above

8 . In activity-based costing systems, costs are accumulated by activities using: (1 mark)

- A cost drivers
- B cost centres
- C cost pools
- D cost benefit analysis
- E None of the above

QUESTION 2

(25 marks)

The following summary was extracted from the books of Goofy Ltd for the year ended July 2024:

Actual figures:	N\$
Direct material	101 700
Direct labour	337 500
Variable manufacturing overheads	54 000
Variable selling and administrative expenses	30 000
Fixed manufacturing overheads	135 000
Fixed selling and administrative expenses	162 000
Production	9 000 units
Sales at N\$165 per unit	N\$990 000

Goofy Ltd use machine hours to allocate fixed manufacturing overheads. The overheads absorption rate/predetermined overheads rate is N\$34 per machine hour. It takes 0.5 hour to produce one product.

Requirement:	(25)
a) Prepare a statement of profit or loss statement according to direct costing method.	(10)
b) Prepare a statement of profit or loss statement according to absorption costing method.	(12)
c) Reconcile the profit figures as calculated according to the two methods used	(3)

QUESTION 3

(26 marks)

Nam-Wooden Joinery (NWJ) is a company that specializes in manufacturing tables that will last a lifetime: Quality, solid wood tables combining craftsmanship and a passion for solid wood in all shapes and forms.

“Most of our wood comes from areas up north in Kavango west region. Sadly, the traditional chiefs of many a rural area are selling off land to people in their community who then develop this land. In most cases, the trees that are chopped down for development are then used as fire-wood, never to be seen again. We feel that although we cannot save the trees, at least we can save the wood by turning it into unique pieces of beautiful furniture that can be appreciated and loved for generations to come.

You are welcome to show us a picture of how you would like your table to look, and we will quote accordingly. We do have several different designs for tables which you can also choose from,” said Ntate Mandala, a marketing manager.

The company operates a standard absorption costing; and the following information for 2024 were available:

Cost per table:	N\$
Wood	520 000
Carpenter	880 000
Variable manufacturing overheads costs	<u>480 000</u>
	1 880 000

Other actual overhead costs were N\$1 638 000 per annum. The other overhead costs are made up of fixed production overhead costs; as well as the selling overheads that vary with units sold. The selling overheads cost was N\$200 per unit. The actual production of Nam-Wooden Joinery (NWJ) Company was 4 000 tables. In 2024, 3 000 tables were sold to different schools around Windhoek at a price of N\$1 200 per table. The company had no opening inventory in that year.

The marketing director made the following comment at the recent directors' meeting:

“We will price our tables at N\$870 per table for the coming year. At this level we shall sell 9 500 tables.”

“but...I believe we will out-price ourselves if we set the table price at N\$870 per table.”

The following information is available regarding the cost structures of Nam-Wooden Joinery (NWJ):

1. Nam-Wooden Joinery (NWJ) Ltd's administration and marketing costs, on an activity basis, for various levels are provided below:

Number of tables	2 000	5 000	8 000
Total overhead costs	N\$190 000	N\$390 000	N\$490 000

2. Overheads

Total administration and marketing costs have been allocated between the activities above. However, should activity levels exceed 9 000 tables, **additional overhead costs** amounting to **N\$55 000 per annum** will be incurred.

Requirement:		(26)
a)	Determine the break-even point of Nam-Wooden Joinery (NWJ) in units and value, for the year 2024.	(8)
b)	Comment on whether you agree or disagree with the marketing director's statement that decreasing the selling price to N\$870 will be detrimental, assuming the variable cost per unit remains constant. (show all workings clearly).	(8)
c)	Determine the new contribution margin per packet if Nam-Wooden Joinery (NWJ) would like to sell 3 000 packets without making a loss or profit, assuming the variable cost per unit remains constant.	(2)
d)	What is the percentage increase or decrease in the selling price if Nam-Wooden Joinery (NWJ) would like to sell 3 000 packets without making a loss or profit, assuming the variable cost per unit remains constant?	(2)
e)	What assumptions are usually made when using cost volume (CVP) analysis concerning the costs?	(6)

QUESTION 4**(34 marks)**

Morkel (Pty) Ltd manufactures two kinds of shoes, namely Men's shoes and Women's boots, using an automated manufacturing process.

Morkel has budgeted to manufacture and sell 75 000 pairs of Men's shoes and 55 000 pairs of Women's boots. Men's shoes are manufactured in batches of 1 000 pairs and Women's boots in batches of 500 pairs.

Morkel currently allocates all manufacturing overheads to products using machine hours. It takes four (4) machine hours to manufacture a batch of Men's shoes and six (6) machine hours to manufacture a batch of Women's boots. Morkel's policy is to price all products at budgeted fixed manufacturing overheads cost plus 50% of budgeted overheads cost. **The budgeted fixed manufacturing overheads cost for the year is N\$17 400 000.**

The management of Morkel (Pty) Ltd has heard of other alternative ways of allocating fixed manufacturing overheads to products. They consulted experts on this **new costing technique** called **Activity Based Costing (ABC)** and they were provided with the following analysis of the budgeted fixed manufacturing overheads:

Activity	Percentage of budgeted fixed manufacturing overheads cost	Cost driver
Material purchase and storage	10%	Number of orders placed: 75 orders for Men's shoes and 50 orders for Women's boots per year
Setting up of machines	25%	Set-up hours: set-ups are done for every batch and each set-up takes 24 min for Men's shoes and 15 min for Women's boots
Production	55%	Machine hours
Maintenance (routine inspection of machines)	10%	Inspection hours: An inspection is done after every 10 hours of machine time.

Management is not sure if they will be better off by implementing the new costing system.

Requirement:		(34)
a)	Compute unit product cost and selling price for each product under the current costing system (show all workings clearly).	(8)
b)	Compute unit product cost and selling price for each product under the new costing system (show all workings clearly).	(20)
c)	Advise Morkel's management by mentioning five non-financial factors to be considered if they should adopt ABC costing techniques.	(6)

End of Question Paper