



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BACC	LEVEL: 5
COURSE CODE: CMA512S	COURSE NAME: COST & MANAGEMENT ACCOUNTING 102
SESSION: JANUARY 2020	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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MODERATOR	K. Boamah

INSTRUCTIONS
<ol style="list-style-type: none">1. This question paper is made up of four (4) questions.2. Answer ALL the questions and in blue or black ink. NO pencil3. Start each question on a new page in your answer booklet and show all workings.4. 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.

THIS QUESTION PAPER CONSISTS OF 4 PAGES (Excluding this front page)

QUESTION 1**[25 MARKS]**

Monica Ltd is preparing its overhead budgets for a forthcoming period. The company has three production departments A, B and C, and two service departments X and Y. The following figures have been produced:

Departments	A	B	C	X	Y
Overhead cost	400 000	420 000	450 000	400 000	420 000
Machine hours	15 000	12 000	13 000		

Overhead is absorbed on a machine hour basis.

It has been estimated that service department usage is as follows:

Departments	A	B	C	X	Y
Department X	20%	30%	10%		40%
Department Y	30%	30%	20%	20%	

	REQUIREMENT	MARKS
a)	Prepare a schedule of the overhead costs to be charged to departments A, B and C, using the reciprocal/repeated distribution method to apportion the service department costs to the production departments (work to the nearest N\$). Stop allocation when the overheads to be allocated are below N\$100.	12
b)	Calculate the overhead absorption rates for the period for departments A, B and C (work to decimal places).	6
c)	Other than the repeated distribution method, identify the two other methods of reapportionment that could be used for the reapportionment of service department costs across production departments	2
d)	Explain why hourly rates are generally accepted to be the most appropriate method of overhead absorption, and comment upon other methods of absorption that may be used.	5
TOTAL		25

QUESTION 2**[25 MARKS]**

Bailey is a Namibian fisherman who works in a newly established organisation called Shimano Manufacturers. This organisation was founded by Mr Sage in late 2012. It specialises in the catching and processing of fresh salmon to manufacture fish cakes for the retail industry across the country. Bailey earns a basic wage rate of N\$60 per hour. Shimano manufacturers operate eight hours a day, five days a week, fifty-two weeks per annum. Employees also work one Saturday every month for five hours which is considered a normal overtime remunerated at 1.5 times the normal rate. The organisation's policy is to award employees a birthday bonus of N\$10 000. Employees are entitled to twelve days annual leave and there are seventeen public holidays a year. Both the employer and employee contribute to the pension fund on a 60:40 basis, and on equal basis for the medical aid fund. Monthly pension fund contribution made by Bailey is N\$1 400. Total weekly medical aid contribution is N\$700. The organisation's annual Unemployment Insurance Fund (UIF) contribution is N\$4 750. Idle time is calculated at a rate of 7% of available hours.

	REQUIREMENT	MARKS
a)	Determine the total annual labour cost for Shimano Manufacturers.	11
b)	Determine the total annual productive hours for Shimano Manufacturers.	7
c)	Explain the term "labour recovery rate" and compute the labour recovery rate for Shimano Manufacturers.	3
d)	Differentiate idle time from overtime	4
TOTAL		25

QUESTION 3**[25 MARKS]**

The following are the operating details of Bunny Ltd for the year ended 31 December 2018. The company uses job order costing system and the following related to one of its major client undertakings for the year:

1. Direct material:
 - On hand at 1 January 2018: 40 000 kg at N\$2.50 per kg
 - Purchases: 180 000 kg at N\$2.70 per kg
 - On hand at 31 December 2018: 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 2018: N\$100 000
 - On hand at 31 December 2018: N\$ 80 000
5. Finished goods:
 - On hand at 1 January 2018: 4 000 units at N\$90 per unit
 - Manufactured during the year: 20 000 units
 - On hand at 31 December 2018: ?
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 Bunny Ltd.'s major client for the year ended 31 December 2018	25
TOTAL	25

QUESTION 4**[25 MARKS]**

Van Schaik Bookstore has a proud heritage as one of the oldest bookstores in southern Africa and reached their 100-year milestone in 2014. It is arguably Southern Africa's leading academic bookstore chain with more than 70 stores located in South Africa, Botswana, Swaziland and Namibia. In addition to these outlets they have several seasonal sales points, online sales through their website and a library supply service. Van Schaik Bookstore has experience in optimally servicing institutions, professionals and students by deploying the most appropriate sales channel required. You have been appointed as inventory accountant at Van Schaik Bookstore. Van Schaik Bookstore wants to install an efficient inventory control and pricing system within the company and seeks your advice on a number of issues. Van Schaik Bookstore uses First-In- First Out (FIFO) method for inventory valuation.

The textbook price has fluctuated over the period since June 2019. You are given the following information:

1 July:	Textbooks on hand: 500 @ total of N\$225 000.
2 July:	Cash purchases from Van Schaik Publishers: 150 textbooks @ N\$500 per textbook.
10 July:	Credit purchases from Van Schaik Publishers: 50 textbooks @ total of N\$27 500.
12 July:	Returns to Van Schaik Publishers 50 textbooks that was purchased on the 2 July because the box was damaged when bought.
13 July:	550 textbooks were sold @ N\$800 per textbook.
15 July:	20 textbooks were donated to NUST students who came from disadvantaged families as part of corporate social responsibility.
20 July:	Textbooks returned to Van Schaik Publishers on the 12 July were replaced.
25 July:	Administrative and selling expenses of N\$90 000 was paid with credit card.

	REQUIREMENT	MARKS
a)	Determine the value of the textbooks in store on 25 July	20
b)	Determine how much profit or loss was made during the month of July.	5
TOTAL		25

END EXAMINATION PAPER

