



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

COURSE CODE: BAC1200S	COURSE NAME: BUSINESS ACCOUNTING 1B
SESSION: JANUARY 2024	PAPER: THEORY AND CALCULATIONS
DURATION: 2 HOURS	MARKS: 100
SUPPLEMENTARY EXAMINATION PAPER	
EXAMINER	MRS Z. VAN DER WALT
MODERATOR:	MR. S. NGHIWILEPO
INSTRUCTIONS	
<ul style="list-style-type: none">• Answer ALL the questions on the answer sheet• Read all the questions carefully before answering.• This paper consists of 59 questions.• All questions count for one mark unless otherwise indicated• There is only one correct option, the shading of more than one option will be marked as incorrect• Make sure to shade your student number correctly	

THIS QUESTION PAPER CONSISTS OF 13 PAGES (Including this front page)

Section A: Introduction to Cost Accounting (Theory) (4 Marks)

- 1. Which one of the following statements is incorrect?**
 - a. Reports generated by the financial accountant are usually specific to a certain department/section.
 - b. Reports generated by the financial accountant use historical data.
 - c. Reports generated by the financial accountant are mainly useful to external users.
 - d. NamRA (Namibia Revenue Agency) is an external stakeholder.
 - e. None of the above.
- 2. The functions of cost accounting include? Which option is irrelevant?**
 - a. Gather information.
 - b. Measure the information.
 - c. Compile a Profit or Loss Statement at the end of the financial year.
 - d. Take corrective actions when the estimated and actual results differ
 - e. None of the above.
- 3. When planning to develop a new mobile phone app, the business will typically ask the following questions?**
 - a. How many people have smartphones and can download the application?
 - b. What are the prospects in terms of short-term and long-term funding?
 - c. How will the business market the application?
 - d. What is the price difference between a Samsung phone and an iPhone?
 - e. None of the above.
- 4. Which one of the following statements is incorrect?**
 - a. NamRA (Namibia Revenue Agency) is an external user of accounting information.
 - b. The management is an internal user of accounting information.
 - c. The bank is an internal user of accounting information.
 - d. Suppliers are external users of accounting information.
 - e. None of the above.

Section B: Cost Classification (Theory and Calculations) (20 Marks)

- 5. Which of the following is a variable cost?**
- a. Interest payments
 - b. Raw materials costs
 - c. Property taxes
 - d. All of the above are variable costs
 - e. None of the above are variable costs.
- 6. When the production level is zero, fixed cost will...?**
- a. Fixed cost will be zero
 - b. Fixed cost will be negative
 - c. Fixed cost will be positive
 - d. None of the above
 - e. The information is insufficient
- 7. A mixed cost is....?**
- a. Is fixed over a wider range of activity than a variable cost.
 - b. Is a fixed cost over the relevant range and a variable cost everywhere else.
 - c. Always increases on a per-unit basis.
 - d. Contains both fixed and variable components
 - e. None of the above
- 8. A profit centre is a centre...?**
- a. Where the manager has the responsibility of generating and maximising profits
 - b. Which is concerned with earning an adequate Return on Investment
 - c. Both of the above
 - d. Which manages cost
 - e. Where the manager oversees the staff.
- 9. Describe the cost unit applicable to the Bicycle industry:**
- a. Per part of a bicycle
 - b. Per bicycle
 - c. Per tonne
 - d. Per day
 - e. None of the above
- 10. Variable cost per unit due to an increase in production? Fill in the missing word.**
- a. Remains the same
 - b. Increase
 - c. Decrease
 - d. Partly increase
 - e. Depending on more factors
- 11. Which is not a fixed cost?**
- a. Monthly rent of N\$1,000 contractually specified in a one-year lease
 - b. An insurance premium of N\$50 per year, paid last month
 - c. An attorney's retainer of N\$50,000 per year
 - d. A worker's wage of N\$15 per hour
 - e. None of the above

12. If you know that with eight units of output, the average fixed cost per unit is \$12.50 and the average variable cost per unit is N\$81.25, then the total cost at this output level is: (2 marks)
- N\$93.75
 - N\$97.78
 - N\$750
 - N\$880
 - None of the above
13. When classifying cost into behaviour, costs can be classified as. Which one is incorrect?
- Variable
 - Fixed
 - Step
 - Period
 - None of the above
14. Fixed cost is a cost:
- Which changes in total in proportion to changes in output
 - Which is partly fixed and partly variable in relation to the output
 - Which do not change in total during a given period despite changes in output
 - Which remains the same for each unit of output
 - None of the above.
15. Sunk costs are:
- Relevant for decision-making
 - Not relevant for decision-making.
 - Cost to be incurred in future.
 - Future costs.
 - None of the above options describe "sunk costs".

This information relates to Questions 16 and 17. The following table shows the cost for an entity.

Costs	Average cost per unit in N\$
Direct materials	15.30
Direct labor	10.35
Variable manufacturing overhead	4.20
Fixed manufacturing overhead	10.50
Fixed selling expenses	1.80
Fixed Administrative expenses	1.35
Sales commission	1.05
Variable Administrative expenses	1.05

16. Calculate the total production cost for 5,200 units (4 marks)

- a. N\$209,820
- b. N\$133,380
- c. N\$76,440
- d. N\$219,180
- e. None of the above

17. What is the total amount of period cost to sell 5,200 units? (4 marks)

- a. N\$133,380
- b. N\$219,180
- c. N\$16,380
- d. N\$27,300
- e. None of the above

Section C: Materials and Inventory Control (Theory, calculations and application in the accounting records. (22 Marks)

18. A written request to a supplier for specified goods at an agreed-upon price is called a:

- a. Purchase order.
- b. Purchase requisition.
- c. Receiving report.
- d. Materials requisition form
- e. None of the above

19. The entry to record the purchases of raw materials from a supplier will be (2 marks):

- a. Debit raw materials and credit bank
- b. Debit raw materials and credit suppliers
- c. Debit suppliers and credit raw materials.
- d. Debit work in process and credit suppliers
- e. None of the above

20. The entry to record the completion of products will be (2 marks)

- a. Debit Work in Process and Credit Finished Goods.
- b. Debit Overhead Control and Credit Finished Goods.
- c. Debit Cost of Goods Sold and Credit Work in Process
- d. Debit Finished Goods and Credit Work in Process
- e. None of the above

21. Which entry is recorded when materials are moved from the storeroom to production? (2 marks)

- a. Debit Work in Process and Credit Raw Materials
- b. Debit Raw Materials and Credit Work in Process.
- c. Debit Manufacturing Overhead and Credit Manufacturing Overheads.
- d. Debit Materials Expense and Credit Raw Materials
- e. None of the above

22. Which entry is recorded when goods costing N\$10,000 are sold for N\$20,000 on credit? (4 marks)

- a. Debit cost of sales, credit finished goods, debit sales, credit customers
- b. Debit cost of sales, credit finished goods, debit customer, credit sales
- c. Debit finished goods, credit cost of sales, debit customer, credit sales
- d. Debit finished goods, credit cost of sales, debit bank, credit sales
- e. None of the above

23. Which of the following is not a recognised method to calculate variable cost when mixed cost is provided?

- a. High/Low method
- b. Least Square method
- c. Scatter Graph method
- d. Simple square method
- e. All options are recognised methods

The following information relates to Questions 24 and 25. You are required to round all amounts to the nearest N\$ throughout the calculation process

Electronics CC manufactures security alarm systems. One of the materials is a PC Board; each alarm system requires one PC Board. The production manager uses an Economic Order Quantity decision-making model to determine the size and frequency of PC Board orders. Electronics CC's annual demand for alarm systems is 1500. The PC Boards are purchased in a box containing ten units. Each box costs N\$2,000. The controller estimates that placing and receiving an order costs N\$50.00. The time to receive an order is 8-10 days. The holding cost is calculated as 10% of the purchase price. Suppose the controller orders ten boxes each time.

24. Which one of the options below is the total ordering cost per annum? (2 marks)

- a. N\$50
- b. N\$750
- c. N\$7,500
- d. N\$5,000
- e. None of the options are correct

25. Which option below is the annual holding cost? (2 marks)

- a. N\$1,000
- b. N\$15,000
- c. N\$2,000
- d. N\$7,500
- e. None of the options are correct

26. Suppose the cost per order is N\$50, and the annual holding cost is N\$18 per unit; then the economic order quantity (EOQ) will be? Choose the correct option below. (3 marks)

- a. 69 units
- b. 135 units
- c. 91 units
- d. 33 units
- e. None of the options above are correct

This information relates to Questions 27 and 28. Company B uses the First in First Out method to value their inventory. They recorded the following movements in their inventory for December 2023.

1/12/2023	Opening inventory of 100 units at N\$5.00 each
15/12/2023	Bought 300 units at N6.00 each
18/12/2023	Sold 200 units at N\$13.00 each

27. Which one of the following amounts below represents the cost of goods sold on 18 December 2023? (2 marks)

- a. N\$1,100
- b. N\$1,000
- c. N\$1,200
- d. N\$1,150
- e. None of the above

28. Which one of the following amounts below represent the value of the closing inventory on 18 December 2023?

- a. N\$1,000
- b. N\$1,200
- c. N\$1,300
- d. N\$1,400
- e. None of the above

Section D: Labour Remuneration Methods (Theory, calculations and application in the accounting records)

(8 Marks)

A normal week is 40 hours. James worked 45 hours during the week and 5 hours on Sunday. The overtime does not relate to a specific order or job. The normal hourly rate is N\$100. AC Manufacturers applied the rate for overtime as stipulated in the Labour Act.

29. The following amount will be allocated to direct labour: (2 marks)

- a. N\$4,500
- b. N\$4,000
- c. N\$5,000
- d. N\$5,500
- e. None of the above

30. The following amount will be allocated to manufacturing overheads (2 marks):

- a. N\$750
- b. N\$1,000
- c. Zero
- d. N\$1,750
- e. None of the above

- 31. Assume the overtime related to a specific order, the amount allocated to direct labour will be: (2 marks)**
- a. N\$6,750
 - b. N\$1,750
 - c. N\$1,000
 - d. N\$750
 - e. None of the above
- 32. Gross remuneration can be calculated as:**
- a. Basic wages plus overtime
 - b. Basic wages plus allowances
 - c. The sum of the basic wage, overtime and allowances
 - d. Basic wages less pension fund contributions
 - e. None of the above
- 33. Social Security for the administrative staff will be classified as:**
- a. Direct materials
 - b. Direct labour
 - c. Administrative expenses
 - d. Manufacturing overheads
 - e. Marketing and selling expenses

Section E: Manufacturing overheads (Theory, calculations and application in the accounting records)

(16 Marks)

- 34. Which of the following cost is also known as overhead cost:**
- a. Cost of direct labour
 - b. Indirect expenses
 - c. Cost of direct material
 - d. Direct expenses
 - e. None of the above
- 35. An example of a production overhead would be:**
- a. Supervisory cost
 - a. Direct Material
 - b. Rent of admin office
 - c. Direct Labour cost
 - d. None of the above
- 36. To control costs it is essential to keep control on**
- a. Prime cost
 - b. Overheads
 - c. Indirect materials and tools cost.
 - d. All of the above
 - e. None of the above
- 37. What would be the most appropriate way of apportioning depreciation costs across different manufacturing departments in a business?**
- a. Floor space
 - b. Numbers of personnel
 - c. Value of buildings and equipment
 - d. Administration costs
 - e. None of the above.

- 38. An overhead absorption rate is used to**
- Charge overheads to products
 - Share out common costs over benefiting cost centres
 - Find the total overheads for a cost centre
 - Control overheads
 - None of the above

This information relates to Questions 39-42. One of a Company's cost centres is spare parts. The expected overhead cost for that centre was N\$380,000 and the expected activity was 50,000 spare parts. The actual overhead cost for the cost centre was N\$420,000 at an actual activity of 60,000 spare parts. The company uses production units as a cost driver to allocate overheads.

- 39. The formula to calculate the predetermined overhead rate for the allocation of overheads is:**

- Total actual overhead/total actual activity
 - Total estimated overhead/total estimated activity
 - Total estimated activity/Total estimated overhead
 - Total actual activity/Total actual overhead
 - None of the above.
- 40. The predetermined overhead rate using production units will be? (2 marks)**
- N\$7.60 per unit
 - N\$8.40 per unit
 - N\$7.10 per unit
 - N\$8.45 per unit
 - None of the above
- 41. The over/under applied overhead rate will be? (2 marks)**
- N\$40,000 over allocation
 - N\$40,000 under allocation
 - N\$36,000 under allocation
 - N\$36,000 over allocation
 - None of the above.
- 42. An under-allocation of overheads will be recorded in the general journal:**
- Debit manufacturing overheads and credit cost of sales
 - Debit cost of sales and credit manufacturing overheads
 - Debit manufacturing overheads and credit bank
 - Debit work in progress (WIP) and credit cost of sales
 - None of the above.
- 43. A company produces three types of products- product A, product B and product C. Product A requires 200 machine hours. Product B requires 400 machine hours. Product C requires 620 machine hours. The company uses machine hours as a cost driver. The total overhead cost assigned to that cost pool was \$183,000. The machine hours overhead assigned to each of the products was? (3 marks):**
- N\$61,000 for A; N\$61,000 for B; N\$61,000 for C
 - N\$61,000 for A; N\$30,500 for B; N\$91,500 for C
 - N\$30,000 for A; N\$60,000 for B; N\$93,000 for C
 - N\$30,000 for A; N\$63,000 for B; N\$90,000 for C
 - None of the above.

- 44. Overheads can be absorbed into cost units by means of:**
- Physical unit produced
 - Percentage of prime cost
 - Percentage of direct wages
 - Machine hour rate
 - All of the above
- 45. Identify the circumstances where under- or over-allocation of overhead will occur:**
- Actual overhead costs are different from budgeted overheads
 - The actual activity level is different from the budgeted activity level
 - Actual overhead costs and actual activity level differ from the budgeted costs and level
 - Actual overheads are not being settled (still outstanding)
 - A, B and C

Section F: Manufacturing accounts

(Theory, calculations and application in the accounting records)

(18 Marks)

- 46. The cost of manufactured goods transferred to finished goods could be calculated as (3 marks)**
- Total manufacturing cost, plus opening balance in work in process account, less closing work in process inventory
 - Total manufacturing overheads, plus opening balance in finished goods account, less closing work in process inventory
 - Total prime cost, plus opening balance in the direct material account, less closing work inventory in the direct material account.
 - Total conversion cost, plus opening balance in work in process account, less closing work in process inventory
 - None of the above options are correct.
- 47. The cost of goods sold could be calculated as (3 marks)**
- Opening balance of raw materials, plus manufacturing overheads, less closing inventory of work in process account.
 - Opening balance of finished goods, plus the cost of finished goods manufactured, less closing inventory of finished goods
 - Opening balance of work in process, plus the cost of finished goods manufactured, less closing inventory of work in process account
 - Opening balance of direct materials, plus the purchase of direct materials, less closing inventory of work in process account.
 - None of the above options is correct.
- 48. Direct materials used could be calculated as (3 marks):**
- Opening inventory of raw materials, less purchasing raw materials, plus closing inventory of raw materials
 - Purchase of raw materials, less closing inventory of raw materials
 - Opening inventory of raw materials, plus purchasing raw materials, less closing inventory of raw materials
 - Closing inventory of raw materials, plus purchasing of raw materials, less opening inventory of raw materials
 - None of the above options are correct.

49. The total of all the direct costs is known as

- a. Cost of production
- b. Prime cost
- c. Cost of sales
- d. Works cost
- e. None of the above.

The following information relates to Questions 50 and 51. These balances were obtained from the company's records for the year ended 31 December 2023:

Raw material (1 January 2023)	190,000
Raw material (31 December 2023)	198,000
Work in process (1 January 2023)	135,000
Work in process (31 December 2023)	124,000
Finished Goods (1 January 2023)	140,000
Finished Goods (31 December 2023)	200,000
Raw Material purchased	350,000
Direct labour	200,000
Indirect labour	78,000
Factory Managers' salary	108,000
Other Factory overheads	104,500
Indirect material used	23,000
Selling and administrative costs	54,000

50. Use the above information and calculate the prime cost (4 marks)

- a. N\$542,000
- b. N\$550,000
- c. N\$416,000
- d. N\$510,000
- e. None of the above

51. Use the above information and calculate the total manufacturing overheads (4 marks).

- a. N\$104,500
- b. N\$313,500
- c. N\$101,000
- d. N\$105,000
- e. None of the above

Section G: Cash budget
(Theory, calculations and application in the accounting records)
(12 Marks)

You are provided with the following information for Company A.

- **Sales are expected to be N\$10,000 in January and are expected to grow at 10% per month.**
- **30% of the sales are cash sales.**
- **50% of the sales are paid within the month the sales took place.**
- **The remaining 20% will be received in the month following the sales transactions.**
- **Company A purchases goods on credit. The company estimates to make purchases of N\$6,000 in January, N\$7,000 in February, and N\$8,000 in March. The company has an agreement with the supplier to settle the amount due in the following month.**

- 52. Using the information above, the cash flow budget for January will display the following amounts (2 marks)**
- a. N\$8,000
 - b. N\$10,000
 - c. N\$3,000
 - d. N\$5,000
 - e. None of the above
- 53. Using the information above, the cash flow budget for February will display the following amounts (4 marks)**
- a. N\$11,000
 - b. N\$5,500
 - c. N\$3,300
 - d. N\$6,800
 - e. None of the above
- 54. Using the information above, the cash outflow for March will be?**
- a. N\$6,000
 - b. N\$7,000
 - c. N\$8,000
 - d. N\$15,000
 - e. None of the above
- 55. A cash budget consists of certain elements. Choose the incorrect option.**
- a. Cash received from customers
 - b. Cash paid for operating expenses
 - c. Cash paid for purchases
 - d. Cash paid to customers
 - e. None of the above options are incorrect.
- 56. Choose the correct statement.**
- a. A cash budget states all the cash inflows and outflows for a certain period of time
 - b. A cash budget indicates the debtors' and creditors' outstanding balances
 - c. A cash budget is part of a set of financial statements
 - d. A cash budget is done to calculate profits
 - e. None of the above options are correct.

- 57. Which of the following will not be included when preparing a cash budget?**
- a. Depreciation
 - b. Loss on the sale of an asset
 - c. Credit Sales
 - d. All of the above will be included
 - e. None of the above will be included
- 58. A cash budget is in nature. Fill in the missing word.**
- a. Strategic
 - b. Short term
 - c. Mid-term
 - d. None of the above
 - e. All of the above
- 59. Which of the following are the purposes for preparing a cash budget?**
- a. To determine the need for short-term financing
 - b. Indicates the probable cash position as a result of the planned activities
 - c. Indicates cash shortages in advance
 - d. All of the above
 - e. None of the above

END OF PAPER

Surname and Initials

Mode of study/Region

BAC1200S

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Student Number

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4	4	4	4	4	4	4	4	4	4
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9	9	9	9	9	9	9	9	9	9