



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**

**CENTER FOR ENTERPRISE DEVELOPMENT (CED)**

<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: JUNE 2022</b>	<b>PAPER: THEORY AND CALCULATIONS</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

**SECOND OPPORTUNITY EXAMINATION QUESTION PAPER**

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**INSTRUCTIONS**

1. This question paper is made up of 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 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.

**PERMISSIBLE MATERIALS**

1. Silent, non-programmable calculators

**THIS QUESTION PAPER CONSISTS OF 5 PAGES** (including 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\$). <b>Stop allocation when the overheads to be allocated are below N\$100.</b>	<b>12</b>
b)	Calculate the overhead absorption rates for the period for departments A, B and C (work to decimal places).	<b>6</b>
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	<b>2</b>
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.	<b>5</b>
<b>TOTAL</b>		<b>25</b>

**QUESTION 2****[25 MARKS]**

The following information relates to Wheat Ltd., a manufacturing business that is considering the introduction of a piece-work incentive scheme in one of its departments, which has 6 employees.

**Current Payroll**

Basic working week	38 hours
Over-time premium	20% of normal pay grade.
Normal grade A pay rate	N\$22 per hour.
Normal grade B pay rate	N\$18 per hour.

Employee	Normal hours worked	Normal pay grade	Normal units produced
1	41	A	170
2	44	A	170
3	40	B	150
4	38	B	150
5	38	B	160
6	45	A	180

**Piecework Incentive Scheme Proposal**

Under the proposed incentive scheme, the standard time allowance would be 20 minutes per unit. The piecework rate would be based on grade A labour rates, with a standard piecework incentive of 6% when output exceeds standard. All employees would receive the same piecework rate.

REQUIREMENT	MARKS
a) Outline the purpose of an incentive scheme.	<b>3</b>
b) Calculate the normal pay due to each employee based on the current payroll terms.	<b>10</b>
c) Calculate the standard piecework rate on the basis of the proposed incentive scheme.	<b>6</b>
d) Calculate the normal pay due to each employee under the terms of the proposed incentive scheme.	<b>6</b>
<b>TOTAL</b>	<b>25</b>

**QUESTION 3****[25 MARKS]**

The following are the operating details of Bunny Ltd for the year ended 31 December 2021. 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 2021: 40 000 kg at N\$2.50 per kg
  - Purchases: 180 000 kg at N\$2.70 per kg
  - On hand at 31 December 2021: 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 2021: N\$100 000
  - On hand at 31 December 2021: N\$ 80 000
5. Finished goods:
  - On hand at 1 January 2021: 4 000 units at N\$90 per unit
  - Manufactured during the year: 20 000 units
  - On hand at 31 December 2021: ?
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 2021	<b>25</b>
<b>TOTAL</b>	<b>25</b>



**QUESTION 4****[25 MARKS]**

Windhoek Glass Manufacturers (WGM) is a company based in Windhoek that manufactures and sell 'green glass'. The term 'green glass' was coined in when the company adopted technology a few years back that enables the company to produce glass that has the ability to amplify the natural light that comes into a room thereby leading to zero usage of electric lights during the day. As a result of this innovative idea, the 'green glass' has managed to get great popularity in the market. The only challenge that WGM faces is that the customers ordering this product are not standard customers. They come with different specifications which means each customer's order is different. WGM therefore has implemented a successful job costing system. WGM has recently got an order from a new customer that requires these 'green glass' panels for a new community library in Windhoek. WGM's accountant has given this job order an identifiable number as Job A263. The accountant has also provided the following information:

**Direct Materials:**

WGM uses the weighted average cost system to price its issues of materials to production.

**Beginning inventory at 1st April:**

20 size Large glass panels @ N\$400 each

80 type Big chrome fittings @ N\$20 each

**Purchases:**

1st April: 50 size Large glass panels @ N\$377.60 each

15th April: 90 type Big chrome fittings @ N\$21.70 each

**Issues to production (Job A263):**

17th April: 15 size Large glass panels

19th April: 90 type Big chrome fittings

**Direct Labour:**

Assembly: 42 hours @ N\$180 per hour

Finishing: 16 hours @ N\$160 per hour

The customer indicated that the construction of the community library is already lagging behind. As a result, this order was supposed to be finished by the 20<sup>th</sup> of April. This led to the company's assembly department to work six of the assembly hours as overtime. Overtime at WGM is paid at a time and a half.

**Overheads:**

WGM absorbs manufacturing overheads on the basis of labour hours.

	Assembly	Finishing	Total
Production overheads	N\$3 361 050	N\$4 212 150	N\$7 573 200
Direct labour hours	64 000	102 000	166 000
Machine hours	500	100	500

**Pricing policy:**

WGM adds a 25% margin to arrive at the selling price.

REQUIREMENT		MARKS
a)	Calculate the total cost of Job A263.	20
b)	Determine the price charged by WGM to the customer.	2
c)	Briefly explain the situations that favours job costing.	3
<b>TOTAL</b>		<b>25</b>

**END OF EXAMINATION QUESTION PAPER**