NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

ECONOMIC, ACCOUNTING AND FINANCE

QUALIFICATION CODE: 07BHOM & 07BOTM	**LEVEL**: 6
COURSE CODE: CAH610S	**COURSE NAME**: COST & MANAGEMENT ACCOUNTING FOR HOSPITALITY & TOURISM
DATE: JANUARY 2023	**MODE:** FT
DURATION: 3 HOURS	**MARKS:** 100

SECOND OPPORTUNITY EXAMINATION PAPER	
EXAMINER(S)	Sheehama, K.G.H.
MODERATOR:	Odada, L.

INSTRUCTIONS
1. Answer ALL the questions. 2. Write clearly and neatly. 3. Number the answers clearly.

NON – PROGRAMMABLE CALCUTOR

1. Examination paper
2. Examination script

THIS QUESTION PAPER CONSISTS OF 6 PAGES (INCLUDING THIS FRONT PAGE)

QUESTION 1 **[22 MARKS]**

Match the terms and concepts to the appropriate defining details, formula, or example in the table below. Provide your answers by only giving the number and corresponding letter.

Terms and Concepts	Defining details, formula, or example
1. Mixed costs	a) For J&J Beds, their cost of operations is made up of the following cost for the month of July 2022: N$13,500 material costs, N$15,000 labour and N$12,500 overheads.
2. Step costs	b) For the month of July 2022, the cost structure for J&J Beds is made up total variable costs of N$16,000, total fixed costs of N$25,000 and total mixed costs of N$10,000.
3. Sunk costs	c) Quantitative and qualitative information used by management for planning, decision making and control.
4. Incremental costs	d) For the month of July, J&J beds' costs comprised of 60% of direct costs and 40% indirect costs.
5. Financial accounting	e) When J&J Beds produce 1,000 beds, labour cost amount to N$5,000 for 5 employees to work 1 shift. When demand increases, the company needs to add another shift to accommodate production of 1,001-2,000 units. They would also need to add another shift to accommodate 2,001-3,000 units, thus increasing labour costs.
6. Management accounting	f) To make 1 bed, J&J Beds incurs N$500 on direct materials and NN650 towards direct labour costs.
7. Cost classification by behaviour	g) For the month of July, J&J Beds incurred a total of N$27,500 for direct labour and manufacturing overheads.
8. Cost classification by element	h) A cost incurred in the past that cannot be changed by future decisions.
9. Cost classification by assignment	i) A process of identifying, recording, classifying, and reporting historical financial information for internal and external users.
10. Prime costs	j) A cost that differs between 2 alternatives
11. Conversion costs	k) A company's salesperson earns a monthly basic salary of N$20,000 plus commission based on the number of units sold in a month

QUESTION 2 **[10 MARKS]**

For questions 2.1 – 2.2, just write the answer only (the correct letter chosen) in your answer sheet/answer book and not on the question paper. Do not copy the question and the answers again. Example: 2.1.i. (a)

2.1 You are hired as an assistant management accountant at Katutura Wood Joinery Ltd, a manufacturing firm. You are provided with the following information:

Variable costs	N$
Prime	275 000
Semi- Variable costs	N$
Conversion	190 000

The prime costs of Katutura Wood Joinery Ltd vary in proportion to production changes and consist of direct materials and direct labour only. Forty per cent(40%) of the prime cost is direct labour while manufacturing overheads are fixed.

You are required to determine:

i. The total direct material costs for the period

a) N$110 000

b) N$165 000

c) N$111 000

d) N$85 000

ii. The total manufacturing overheads for the period

a) N$100 000

b) N$110 000

c) N$80 000

d) N$90 000

iii. The total manufacturing costs for the period

a) N$274 000

b) N$354 000

c) N$275 000

d) N$355 000

2.2 John, a friend of yours, has recently set up a small business making curtains. She has supplied you with the following figures, and has asked for your advice on a few issues:

Costs per month	N$
Direct materials	88 000
Direct labour	100 000
Production overheads	40 000

The above total production costs are based on producing 2 400 curtains per month.

You are required to calculate:

i. The unit cost per curtain

a) N$53.33

b) N$95.00

c) N$78.33

d) N$58.33

ii. The selling price per curtain if Tura-babe wanted a markup of 20%

a) N$120

b) N$105

c) N$114

d) N$115

QUESTION 3 **(22 MARKS)**

Lolo Fruits Store management uses the First in First Out (FIFO) inventory valuation method and is in dispute on which method of inventory valuation should be used. The records currently show that on 28 February 2022 the store had a closing balance of 600 fruits worth N$6 000 in total. The following information regarding the movement of fruits was provided to you by the store manager during the month of March 2022.

Receipts (purchases) from suppliers were as follows:

- 1 March: Received 2 500 fruits at N$15 per fruit.
- 2 March: Received 1 050 fruits at a total cost of N$16 380.
- 4 March: Received 1 300 fruits at N$16.80 per fruit.
- 5 March: Received 1 100 fruits at N$17.40 per fruit.

The issue made to customers were as follow:

- 3 March: Dispatched 1 900 fruits.
- 6 March: Dispatched 1 780 fruits.

REQUIRED:

Record the above movement of the inventory in the store ledger card of Lolo Fruits Store and determine the number of units and the total value in N$ as of 10 March 2022

QUESTION 4 **(16 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
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:

a) Calculate how many pairs of sandals must be sold each year to break even in **units and N$**. (6)

b) Discuss five important assumptions underlying the cost-volume-profit analysis. (10)

QUESTION 5 **(30 MARKS)**

Natu Ltd manufactures a product called "E-Roll". Information for the past year was as follows:

Fixed costs	N$150 000
Sales (18 000 units)	N$450 000
Variable cost ratio	40%

You are required to calculate the following:

a) Variable cost per unit (2)

b) Contribution margin per unit (2)

c) Contribution margin ratio (2)

d) Total contribution margin (2)

e) Break-even-point in units. (3)

f) Break-even-point in value (N$) (3)

g) Margin of safety in units (3)

h) Margin of safety ratio (3)

i) The company is presently planning to reduce the current selling price of its product by 10%. A market survey indicates that volume will increase by 20% at this new price, but that the higher volume of production will cause fixed costs to increase by N$5 000 per year. ***Should the company proceed with the change? Give reasons for your answer. Show all necessary calculations.*** (10)

END OF EXAMINATION QUETION PAPER