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UNIVERSITY
OF SCIENCE AND
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HP-GSB
HAROLD PUPKEWITZ
Graduate School of Business

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

HAROLD PUPKEWITZ GRADUATE SCHOOL OF BUSINESS

QUALIFICATION: DIPLOMA IN BUSINESS PROCESS MANAGEMENT	
QUALIFICATION CODE: 06DBPM	LEVEL: 6
COURSE CODE: BAC521C	COURSE NAME: BUSINESS ACCOUNTING 1B
SESSION: JUNE 2023	PAPER: PAPER 1
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER

EXAMINER	Lameck Odada
MODERATOR	Hendrina Kangala

INSTRUCTIONS

1. This question paper comprises **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 whole numbers in all your calculations and only round off only final answers to two (2) decimal places where necessary 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 6 PAGES (including this front page)

QUESTION 1

[20 MARKS]

For questions 1.1 – 1.10, just write the answer only (the correct letter chosen) in your answer book and not on the question paper. Do not copy the question again

1.1 The type or branch of accounting that generates reports for the use of external parties such as creditors, investors and government agencies is known as:

- a) Financial accounting
- b) Managerial accounting
- c) Tax accounting
- d) Forensic accounting

1.2 The branch of accounting that generates reports and information for the use of internal management is known as:

- a) Tax accounting
- b) Management accounting
- c) Auditing
- d) International accounting

1.3 Which of the following is described as the process of determining how a particular cost behaves?

- a) Cost prediction
- b) Cost behaviour
- c) Cost estimation
- d) Cost prevention

1.4 Which of the following is a forecast of cost at a particular level of activity?

- a) Cost prediction
- b) Cost behaviour
- c) Cost estimation
- d) Cost prevention

1.5 Which of the following refers to the relationship between cost and activity?

- a) Cost prediction
- b) Cost behaviour
- c) Cost estimation
- d) Cost prevention

1.6 The cost of insurance and taxes are included in

- a) Cost of ordering

- b) Set up cost
- c) Inventory carrying cost
- d) Cost of shortages

1.7 Which of the following is true for Inventory control?

- a) Economic order quantity has a minimum total cost per order
- b) Inventory carrying costs increases with the quantity per order
- c) Ordering cost decreases with low size
- d) All of the above

1.8 The time period between placing an order and its receipt in stock is known as

- a) Lead time
- b) Carrying time
- c) Shortage time
- d) Overtime

1.9 The best way of allocating fixed overheads between products is:

- a) Equally between different products
- b) As a proportion of direct cost incurred by each product
- c) Based on the number of people involved in the production of each product
- d) There is no 'best' way of allocating overheads

1.10 Wellington Ltd used a predetermined overhead rate during 2023 of N\$3 per direct labour hour, based on an estimate of 24 000 direct labour hours to be worked during the year. Actual costs and activity during 2023 were: Actual manufacturing overhead cost incurred, N\$84 000; Actual direct labour hours worked, 27 000. The under- or over-applied overhead for 2023 would be:

- a) N\$3 000 underapplied
- b) N\$3 000 overapplied
- c) N\$12 000 underapplied
- d) N\$9 000 overapplied

QUESTION 2**[25 MARKS]**

Adri Manufacturers specialises in clay pot production and operates two production departments (Department 1 and Department 2) and a service department (Department 3). Department 1 is a hands-on process, and pots are put in Department 2 for drying.

Some of the expected overheads for the financial year 2023 have been estimated as follows:

	N\$
Depreciation of equipment	32 000
Safety boots	18 000
Heating and lighting	22 500
TOTAL	72 500

The following data for 2023 and relating to the factory is also provided:

	Department 1	Department 2	Department 3
Value of equipment	N\$74 000	N\$29 000	N\$25 000
Value of Building	N\$300 000	N\$140 000	N\$60 000
Kilowatt hours used (KwH)	50	175	25
Number of employees	145	20	15
Direct labour hours	2 500	3 700	2 000
Machine hours	10 000	2 000	1 000

REQUIRED		MARKS
a)	Allocate each of the overheads between the production departments and the service department, indicating the appropriate allocation base (<i>work with whole numbers and not decimals</i>).	12
b)	Re-apportion the service department's overheads using the number of machine hours (<i>work with whole numbers and not decimals</i>).	2
c)	Calculate the overhead absorption rates (OAR) for department 1 using direct labour and department 2 using kilowatt hours used. (<i>Give your answer to the nearest dollar</i>).	6
d)	Define overhead apportionment and identify the three (3) methods of apportioning overheads.	5

QUESTION 3**[25 MARKS]**

Odada (Pty) Ltd was established in 1991 and has since achieved tremendous success in growing its clothing manufacturing business into an internationally recognised entity. The organisation has stores in Namibia, South Africa, Mozambique, and Botswana. Their labour policy is provided below:

The organisation pays its production workers N\$55 per hour. Each employee works six hours a day, for five days a week. They are entitled to four weeks of paid vacation for the year. There are fourteen public holidays in the year, and idle time is 4% of available productive hours. Fringe benefits based on normal earnings include a 4% contribution towards medical aid and 7.5% towards the pension fund. Employees also receive a bonus equal to four weeks of normal earnings. The deductions for each employee consist of Pay as you earn (PAYE): 12% of taxable income, pension: 7.5%, medical aid: 4%, and Social Security Commission contribution of N\$81 per month. Assume that there are 52 weeks in the year.

REQUIRED: (Hint: work with whole numbers throughout your calculations)		MARKS
a)	Calculate the weekly net pay for an employee	8
b)	Calculate the total annual labour cost per employee	5
c)	Determine the annual hours available for production	7
d)	Compute the labour recovery rate	3
e)	Differential overtime from idle time	2

QUESTION 4**[30 MARKS]**

Sheehama Stores 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 2023 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 2023.

Receipts (buy) 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.
- 10 March: Received 1 500 fruits at a total cost of N\$24 000.

The issue made to customers were as follow:

- 3 March: Dispatched 1 900 fruits.
- 6 March: Dispatched 1 780 fruits.
- 9 March: Dispatched 950 fruits.
- 12 March: Dispatched 1 400 fruits.

REQUIRED		MARKS
a)	Record the above movement of the inventory in the store ledger card of Sheehama Stores during the month of March 2023	20
b)	Calculate the gross profit of Sheehama Stores. The selling price is N\$30 per fruit.	7
c)	Identify any three (3) users of store ledger card	3

END OF EXAMINATION QUESTION PAPER