NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: VARIOUS PROGRAMMES	
QUALIFICATION CODE: VARIOUS	**LEVEL: 6**
COURSE CODE: BAC212S	**COURSE NAME:** BUSINESS ACCOUNTING 2B
SESSION: JANUARY/FEBRUARY 2019	**PAPER:** THEORY AND PRACTICAL
DURATION: 3 HOURS	**MARKS:** 80

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Chikambi, J. and Sheehama, K.G.H.
MODERATOR:	Kamotho, D.

INSTRUCTIONS

1. This exam paper is made up of four (4) questions
2. Answer ALL the questions and in blue or black ink
3. Start each question on a new page in your answer booklet & show all your 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.

PERMISSIBLE MATERIALS

1. Examination paper.
2. Examination script.

THIS QUESTION PAPER CONSISTS OF **5** PAGES (Including this front page)

QUESTION 1 **(14 marks)**

Dan-Natuyeni Ltd operates a standard absorption costing system. At the beginning of the year the company budgeted to manufacture 4 000 units of a particular product. The following information refers to this product:

Standard costs per unit:

Direct material (16 litres at N$5 per litre)	N$80
Direct labour (6 hours at N$10 per hour)	N$60
Fixed production overheads	N$72
	N$212

Additional information:

1. Total direct wages paid during the year amounted to N$242 892.
2. Sales made during the period was N$216 000 and the selling price was N$180.
3. Direct labour variances recorded from standard were as follows:

Direct labour rate variance	N$8 892 Adverse
Direct labour efficiency variance	N$7 200 Favourable

REQUIRED:

Compute the following:

1.1	The actual number of units sold.	(2)
1.2	The actual number of direct labour hours worked during the year.	(4)
1.3	The actual wage rate per hour paid during the year.	(4)
1.4	The actual number of units produced during the year.	(4)

QUESTION 2 **(22 marks)**

1.1 Explain what you understand by the term "internal rate of return". (2)

2.2 Explain three reasons why you would not recommend the payback method as a good technique for the evaluation of a capital investment. (6)

2.3 The management of Wetland Ltd expects a return of at least 14% on all capital investments. The company presently considers investing in a new machine.
Forecasts relating to this machine are as follows:

Purchase price	N$400 000
Estimated economic life	3 years
Estimated salvage value at the end of 4 years	N$100 000
Annual cash inflows:	
End of year 1	N$150 000
2	N$225 000
3	N$180 000

REQUIRED:

Make a recommendation to the management of Wetland as to the viability of investing in this new machine. Use Net Present Value (NPV) method. (14)

QUESTION 3 **(21 Marks)**

Endelela-Twiye Shoe Company operates a chain of shoe stores. The stores sell ten different styles of inexpensive men's shoes with identical unit costs and selling prices. A unit is defined as one pair of shoes.

Each store has a store manager who is paid a fixed salary. During the current month the stores sold 4 500 pair of shoes. Endelela-Twiye Shoe Company is trying to determine the desirability of opening another store and provided the following relevant information:

	N$
Selling price per pair of shoes	120
Purchase cost per pair of shoes	84
Fixed rent expense per annum	24 000
Fixed salary per annum	120 000

REQUIRED:

(a) Calculate the annual break-even point in units and value (N$). (6)
(b) Calculate the margin of safety ratio (%) (5)
(c) Outline five important assumptions underlying the cost-volume-profit analysis. (10)

QUESTION 4 **(23 marks)**

Ariba CC produces and sells only one product. The following information is available:

1. Variable manufacturing cost per unit

	N$
Raw material (2 kg x N$11 per kg)	22.00
Direct labour (1.5 hours x N$2.40 per hour)	3.60
Manufacturing overheads (N$1.20 per labour hour)	1.80
	27.40

2. Additional monthly costs

	N$
Rental cost	28 000
Sales commission per unit	0.50
Selling and administration	16 000

3. Inventory levels

	(1 July)	(31 July)
Raw material (kilograms)	3 800	3 000
Finished products (units)	2 150	2 500

4. Budgeted sales – July 2018

9 000 units at N$40 per unit

REQUIRED:

Calculate the following budgets for July 2018:

4.1	Production (units and N$)	(4)
4.2	Raw material purchases (kilograms and N$)	(6)
4.3	Direct labour (hours and value)	(3)
4.4	Manufacturing overheads (hours and value)	(3)
4.5	Statement of profit or loss	(7)

END OF QUESTION PAPER

APPENDIX TABLE 1

Present Value Tables

Number of Years	Interest Rate per Year														
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
1	.990	.980	.971	.962	.952	.943	.935	.926	.917	.909	.901	.893	.885	.877	.870
2	.980	.961	.943	.925	.907	.890	.873	.857	.842	.826	.812	.797	.783	.769	.756
3	.971	.942	.915	.889	.864	.840	.816	.794	.772	.751	.731	.712	.693	.675	.658
4	.961	.924	.888	.855	.823	.792	.763	.735	.708	.683	.659	.636	.613	.592	.572
5	.951	.906	.863	.822	.784	.747	.713	.681	.650	.621	.593	.567	.543	.519	.497
6	.942	.888	.837	.790	.746	.705	.666	.630	.596	.564	.535	.507	.480	.456	.432
7	.933	.871	.813	.760	.711	.665	.623	.583	.547	.513	.482	.452	.425	.400	.376
8	.923	.853	.789	.731	.677	.627	.582	.540	.502	.467	.434	.404	.376	.351	.327
9	.914	.837	.766	.703	.645	.592	.544	.500	.460	.424	.391	.361	.333	.308	.284
10	.905	.820	.744	.676	.614	.558	.508	.463	.422	.386	.352	.322	.295	.270	.247
11	.896	.804	.722	.650	.585	.527	.475	.429	.388	.350	.317	.287	.261	.237	.215
12	.887	.788	.701	.625	.557	.497	.444	.397	.356	.319	.286	.257	.231	.208	.187
13	.879	.773	.681	.601	.530	.469	.415	.368	.326	.290	.258	.229	.204	.182	.163
14	.870	.758	.661	.577	.505	.442	.388	.340	.299	.263	.232	.205	.181	.160	.141
15	.861	.743	.642	.555	.481	.417	.362	.315	.275	.239	.209	.183	.160	.140	.123
16	.853	.728	.623	.534	.458	.394	.339	.292	.252	.218	.188	.163	.141	.123	.107
17	.844	.714	.605	.513	.436	.371	.317	.270	.231	.198	.170	.146	.125	.108	.093
18	.836	.700	.587	.494	.416	.350	.296	.250	.212	.180	.153	.130	.111	.095	.081
19	.828	.686	.570	.475	.396	.331	.277	.232	.194	.164	.138	.116	.098	.083	.070
20	.820	.673	.554	.456	.377	.312	.258	.215	.178	.149	.124	.104	.087	.073	.061

Discount factors: Present value of $1 to be received after t years = $1/(1 + r)^t$.

Number of Years	Interest Rate per Year														
	16%	17%	18%	19%	20%	21%	22%	23%	24%	25%	26%	27%	28%	29%	30%
1	.862	.855	.847	.840	.833	.826	.820	.813	.806	.800	.794	.787	.781	.775	.769
2	.743	.731	.718	.706	.694	.683	.672	.661	.650	.640	.630	.620	.610	.601	.592
3	.641	.624	.609	.593	.579	.564	.551	.537	.524	.512	.500	.488	.477	.466	.455
4	.552	.534	.516	.499	.482	.467	.451	.437	.423	.410	.397	.384	.373	.361	.350
5	.476	.456	.437	.419	.402	.386	.370	.355	.341	.328	.315	.303	.291	.280	.269
6	.410	.390	.370	.352	.335	.319	.303	.289	.275	.262	.250	.238	.227	.217	.207
7	.354	.333	.314	.296	.279	.263	.249	.235	.222	.210	.198	.188	.178	.168	.159
8	.305	.285	.266	.249	.233	.218	.204	.191	.179	.168	.157	.148	.139	.130	.123
9	.263	.243	.225	.209	.194	.180	.167	.155	.144	.134	.125	.116	.108	.101	.094
10	.227	.208	.191	.176	.162	.149	.137	.126	.116	.107	.099	.092	.085	.078	.073
11	.195	.178	.162	.148	.135	.123	.112	.103	.094	.086	.079	.072	.066	.061	.056
12	.168	.152	.137	.124	.112	.102	.092	.083	.076	.069	.062	.057	.052	.047	.043
13	.145	.130	.116	.104	.093	.084	.075	.068	.061	.055	.050	.045	.040	.037	.033
14	.125	.111	.099	.088	.078	.069	.062	.055	.049	.044	.039	.035	.032	.028	.025
15	.108	.095	.084	.074	.065	.057	.051	.045	.040	.035	.031	.028	.025	.022	.020
16	.093	.081	.071	.062	.054	.047	.042	.036	.032	.028	.025	.022	.019	.017	.015
17	.080	.069	.060	.052	.045	.039	.034	.030	.026	.023	.020	.017	.015	.013	.012
18	.069	.059	.051	.044	.038	.032	.028	.024	.021	.018	.016	.014	.012	.010	.009
19	.060	.051	.043	.037	.031	.027	.023	.020	.017	.014	.012	.011	.009	.008	.007
20	.051	.043	.037	.031	.026	.022	.019	.016	.014	.012	.010	.008	.007	.006	.005

Note: For example, if the interest rate is 10% per year, the present value of $1 received at year 5 is $.621.