



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION : VARIOUS	
QUALIFICATION CODE: VARIOUS	LEVEL: 6
COURSE CODE: BAC212S	COURSE NAME: BUSINESS ACCOUNTING 2B
SESSION: NOV 2019	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Mr. C Jerry
MODERATOR:	Mr. D Kamotho

INSTRUCTIONS	
<ol style="list-style-type: none">1. This question 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.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.5. Programmable calculators are not allowed	

THIS QUESTION PAPER CONSISTS OF 4 PAGES (Excluding this front page)

Question 1**(30 marks)**

Raymond Ltd is currently in the process of putting together its cash budget for the first quarter of 2019.

- The actual sales figures for the last two months of 2018 were as follows:

November	N\$80 000
December	N\$90 000

- The budgeted figures for 2019 are as follows:

January	N\$75 000
February	N\$75 000
March	N\$80 000

- An analysis of the company's records has shown that debtors normally settle their accounts according to the following pattern:

- 60% within the month of sale
- 25% within the first month after sale
- 15% within the second month after sale

- Extracts from the actual purchases figures for 2018 revealed the following:

November	N\$50 000
December	N\$60 000

- Purchases for 2019 have been estimated as follows:

January	N\$55 000
February	N\$45 000
March	N\$55 000

- All purchases are on credit and past experience shows that 90% are settled in the month of purchase and the balance settled during the following month.
- Overheads of N\$20 000 per month (including N\$5 000 depreciation) are settled monthly.
- Taxation of N\$8 000 has to be paid in February and the company will receive settlement of an insurance claim of N\$25 000 in March.
- The company estimates that it will have a favourable bank balance of N\$81 250 on 31 March 2019.

Required:

Prepare a Cash Budget for the months January, February and March 2019 in column format.

Question 2**(20 Marks)**

The following monthly budgeted cost values have been taken from the budget working papers of Shitapata manufacturer Ltd for the year ended 30 September 2018.

	Activity level		
	60%	70%	80%
	N\$	N\$	N\$
Direct materials	30 000	35 000	40 000
Direct labour	40 500	47 250	54 000
Production overhead	46 000	52 000	58 000
Selling overhead	15 000	17 000	19 000
Administration overhead	28 000	28 000	28 000
	159 500	179 250	199 000

During September 2018, actual activity was 1 292 units (which was equal to 68% activity).

	N\$
Direct materials	33 500
Direct labour	44 000
Production overhead	46 250
Selling overheads	16 150
Administration overhead	27 800
	167 700

Required:

Prepare a budgetary control statement for Shitapata manufacturer on a flexible budget basis for the month of September 2018.

ITEMS	Actual	Budge	Variance

Question 3**(30 Marks)**

Chineke Ltd manufactures a single product. The budget information for the following year was as follows:

	Per unit	100 000 units
	N\$	N\$
Sales at N\$23.50 per unit	23.50	2 350 000
Production costs:		
Direct material – 5 kg	10.00	1 000 000
Direct labour – 1 hour	5.00	500 000
Variable overheads – 1 hour	<u>2.00</u>	<u>200 000</u>
Standard marginal cost	17.00	1 700 000

Fixed cost	<u>4.00</u>	<u>400 000</u>
	21.00	2 100 000
Standard profit	<u>2.50</u>	<u>250 000</u>
	<u>23.50</u>	<u>2 350 000</u>

By the end of the year, the following actual figures were recorded:

Sales	110 000 units N\$2 640 000
Direct material	540 000 kg N\$1 230 000
Direct labour	105 000 hours N\$577 500
Variable overheads	N\$250 000
Fixed overheads	N\$450 000

Required:

- a) Calculate the following variances
- i. Material variance
 - ii. Material usage variance
 - iii. Wage rate variance
 - iv. Labor efficiency variance
 - v. Variable overhead expenditure variance
 - vi. Variable overhead efficiency variance
 - vii. Fixed overhead efficiency variance
 - viii. Fixed overhead volume variance
 - ix. Sales price variance
 - x. Sales volume variance

Question 4

(20 Marks)

Mr van Lukaku is considering the acquisition of a local bakery called Mahangu bakery which produce healthy mahangu bread. You were provided information based on the following budgeted cost structure for the next year of operations which is based on normal production capacity of 60 000 loaves per annum:

	N\$
Direct material	120 000
Variable labour	60 000
Production overheads (Note 1)	126 000
Fixed Selling and Administration expenses	10 000
Fixed salary for administration staffs	10 000

Additional information:

- A mahangu bread loaf is sold for N\$7.
- Recent production overheads and volumes were as follows:

Note 1: Total production overheads (60 000 loaves)

Total cost	N\$126 000
Variable cost	N\$ 84 000

Required:

1. Advice Mr van Lukaku on how many loaves of Mahangu bread would have to be sold for Mahangu bakery not to make a loss or profit. (4 marks)
2. Calculate the margin of safety of Mahangu bakery at the normal production level (in units and value). (3 Marks)
3. Calculate the profit or loss that Mahangu bakery will make at the production level of 70 000 loaves of bread. (7 marks)
4. Advice Mr van Lukaku whether Mahangu bakery should implement the following separate profit improvement possibility:

Sales demand would increase by 15% of normal production capacity if business hours were extended by three hours per day. Variable costs per unit would remain unchanged, but annual fixed production overheads will increase by N\$20 000 per annum. (3 marks)

5. Discuss the conditions under which CVP analysis can be used. (3 marks)