



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

CENTRE FOR ENTERPRISE DEVELOPMENT (CED)

QUALIFICATION CODE: 06DBPM	LEVEL: 6
COURSE CODE: BAC621C	COURSE NAME: BUSINESS ACCOUNTING 2B
DATE: JUNE 2022	MODE: PM
DURATION: 3 HOURS	MARKS: 100

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

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions.2. Write clearly and neatly.3. Number the answers clearly.

PERMISSIBLE MATERIALS

1. Examination paper
2. Examination script

THIS QUESTION PAPER CONSISTS OF 11 PAGES (INCLUDING THIS FRONT PAGE)

QUESTION 1**(40 MARKS)**

Answer this question ON the Answer Sheet on Page 8 of this question paper.
In each of the following questions, ON THE ATTACHED ANSWER SHEET (PAGE 11), only draw a cross over the letter that, in your opinion, represents the correct answer:

1. New-Tura Ltd has a maximum capacity of 20 000 units of a certain product per year.

Other details regarding this product are as follows:

Sales (18 000 units)	N\$450 000
Variable cost per unit	N\$15
Fixed costs	N\$105 000 per year

The number of units to be sold to earn a target net income of N\$25 000 is:

- A. 10 500
 - B. 12 500
 - C. 13 000
 - D. 13 500
2. New-Tura Ltd has a maximum capacity of 20 000 units of a certain product per year.

Other details regarding this product are as follows:

Sales (18 000 units)	N\$450 000
Variable cost per unit	N\$15
Fixed costs	N\$105 000 per year

Break-even point in N\$ is:

- A. N\$262 500
 - B. N\$175 000
 - C. N\$105 000
 - D. N\$105 500
 - E.
3. New-Tura Ltd has a maximum capacity of 20 000 units of a certain product per year.

Other details regarding this product are as follows:

Sales (18 000 units)	N\$450 000
Variable cost ratio	60%
Fixed costs	N\$105 000 per year

The number of units New-Tura Ltd should sell to break-even are:

- A. 7 000
- B. 11 500
- C. 9 500
- D. 10 500

4. Fast-But-Sure Ltd. makes a high-quality wooden birdhouse that sells for N\$200 per unit. Contribution margin per unit is N\$40, and fixed costs total N\$180 000 per year.

Variable cost ratio to sales is:

- A. 100%
- B. 80%
- C. 20%
- D. 25%

5. Fast-But-Sure Ltd. makes a high-quality wooden birdhouse that sells for N\$200 per unit. Variable cost per is N\$120 and fixed costs total N\$180 000 per year. Contribution margin ratio to sales is:

- A. 40%
- B. 60%
- C. 50%
- D. 100%

6. Fast-But-Sure Ltd. makes a high-quality wooden birdhouse; and during the month of May 2022 there were 4 000 units sold. The firm had generated a revenue of N\$180 000, during the month of May 2022. Contribution margin ratio to sales is 40%, and fixed costs total N\$50 000 per month.

Selling price per unit is:

- A. N\$50
- B. N\$45
- C. N\$40
- D. N\$55

7. Fast-But-Sure Ltd. makes a high-quality wooden birdhouse; and during the month of May 2022 there were 4 000 units sold. The firm had generated a revenue of N\$180 000, during the month of May 2022. Contribution margin ratio to sales is 40%, and fixed costs total N\$50 000 per month.
- Contribution margin cost per unit is:
- A. N\$15
 - B. N\$18
 - C. N\$27
 - D. N\$45
8. Fast-But-Sure Ltd. makes a high-quality wooden birdhouse; and during the month of May 2022 there were 4 000 units sold. The firm had generated a revenue of N\$180 000, during the month of May 2022. Contribution margin ratio to sales is 40%, and fixed costs total N\$50 000 per month. Variable cost per unit is:
- A. N\$27
 - B. N\$20
 - C. N\$18
 - D. N\$45
9. Fast-But-Sure Ltd. makes a high-quality wooden birdhouse; and during the month of May 2022 there were 4 000 units sold. The firm had generated a revenue of N\$180 000, during the month of May 2022. Contribution margin ratio to sales is 40%, and fixed costs total N\$50 000 per month. Due to an increase in demand, the company estimates that sales will increase by N\$75 000 during the next month. By how much should net income increase (or net loss decrease) assuming that fixed costs do not change?
- A. N\$22 000
 - B. N\$52 000
 - C. N\$30 000
 - D. N\$50 000

10. Fast-But-Sure Ltd. makes a high-quality wooden birdhouse; and during the month of May 2022 there were 4 000 units sold. The firm had generated a revenue of N\$180 000, during the month of May 2022. Contribution margin ratio to sales is 40%, and fixed costs total N\$50 000 per month.

Net profit for the month of May 2022 is.....

- A. N\$27 000
- B. N\$22 500
- C. N\$22 000
- D. N\$72 000

11. Nawa CC produces and sells only one product. The following budgeted data is available:

Inventory levels (2022)	1 May	31 May
Raw material (kilograms)	1 000	600
Finished products (units)	500	???
Sales sold 1 800 units at N\$150 per unit		
Production units 1 900		

The units of closing inventory (finished goods) is...

- A. 500
- B. 800
- C. 900
- D. 600

12. Wana CC produces and sells only one product. The following budgeted data is available:

Inventory levels (2022)	1 June	31 June
Raw material (kilograms)	2 000	1 000
Finished products (units)	1 000	1 200
Selling price is N\$30 per unit		
Production units 3 800		

Budgeted sales in value (N\$) is.....

- A. N\$114 000
- B. N\$108 000
- C. N\$180 000
- D. N\$124 000

13. Wana CC produces and sells only one product. The following budgeted data is available:

Inventory levels (2022)	1 June	31 June
Finished products (units)	1 000	1 200
Selling price is N\$30 per unit		
Production units 3 800		

Budgeted sales in units is.....

- A. 3 800
- B. 3 600
- C. 3 500
- D. 3 200

14. Vinia CC produces and sells only one product. The following information is available.

Standard cost

Direct Material	5kg per unit @ N\$15 per kg
Direct Labor	4 hours per unit @ N\$25 per hour

Inventory levels (2022)	1 April	30 April
Raw material (kilograms)	500	300
Finished products (units)	250	300

Budgeted sales – April 2022

900 units at N\$150 per unit

Budgeted direct material in kilograms required to meet a production are....

- A. 4 800
- B. 4 850
- C. 4 550
- D. 4 750

15. Vinia CC produces and sells only one product. The following information is available.

Standard cost

Direct Material	5kg per unit @ N\$15 per kg
Direct Labor	4 hours per unit @ N\$25 per hour

Inventory levels (2022)	1 April	30 April
Raw material (kilograms)	500	300
Finished products (units)	250	300

Budgeted sales – April 2022

900 units at N\$150 per unit

Budgeted direct labour hours required to meet a production are....

- A. 4 800
- B. 3 800
- C. 4 550
- D. 4 750

16. Vinia CC produces and sells only one product. The following information is available.

Standard cost

Direct Material 5kg per unit @ N\$15 per kg
Direct Labor 4 hours per unit @ N\$25 per hour

Inventory levels (2022)	1 April	30 April
Raw material (kilograms)	500	300
Finished products (units)	250	300

Budgeted sales – April 2022

900 units at N\$150 per unit

Budgeted direct labour cost is....

- A. N\$94 000
- B. N\$95 500
- C. N\$95 000
- D. N\$94 500

17. The following data relates to the Assembly Department of Katutura Manufacturer Limited:

Standard direct materials are 10kg at N\$30 per kg; and actual direct materials are 12kg at N\$25 per kg. Budgeted production units and actual production units are 600 units and 500 units, respectively.

Direct material price variance is.....

- A. N\$40 500
- B. N\$40 000
- C. N\$30 000
- D. N\$30 500

18. The following data relates to the Assembly Department of Katutura Manufacturer Limited:

Standard direct materials are 10kg at N\$30 per kg; and actual direct materials are 12kg at N\$25 per kg. Budgeted production units and actual production units are 600 units and 500 units, respectively.

The actual direct materials (kgs) used in production process are ...

- A. 7 200
- B. 6 000
- C. 4 550
- D. 4 750

19. Vinia CC produces and sells only one product. The following information is available

Standard cost:

Direct Labour 4 hours per unit @ N\$25 per hour

Actual direct labour production:

Direct labour cost N\$550 000

Direct labour hours 20 000

Actual production units 15 000

The actual direct labour rate is

- A. N\$45.00
- B. N\$25.00
- C. N\$27.50
- D. N\$30.50

20. Vinia CC produces and sells only one product. The following information is available

Standard cost:

Direct Labour 4 hours per unit @ N\$25 per hour

Actual direct labour production:

Direct labour cost N\$550 000

Direct labour hours 20 000

Actual production units 15 000

The direct labour rate variance is

- A. N\$550 000
- B. N\$25 000
- C. N\$50 000
- D. N\$550 500

QUESTION 2**(12 Marks)**

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

1. Raw materials required to produce one unit are 2 kg at N\$11 per kg.

2. <u>Inventory levels</u>	<u>1 May</u>	<u>31 May</u>
Raw material (kilograms)	3 800	3 000
Finished products (units)	2 150	2 500

3. Budgeted sales – May 2022: 9 000 units at N\$40 per unit

REQUIRED:

Prepare the following for the month of May 2015

- | | | |
|-----|---|-----|
| (a) | Sales budget in N\$ | (3) |
| (b) | Production budget (units and N\$) | (3) |
| (c) | Raw material purchases budget (kilograms and N\$) | (6) |

QUESTION 3**(18 Marks)**

FOUR by FOUR Ltd has made available the following information concerning its costs at two activity levels:

<u>Cost item</u>	<u>Level of activity</u>	
	<u>At 8 000 kg</u>	<u>12 000 kg</u>
	<u>N\$</u>	<u>N\$</u>
Direct material	240 000	360 000
Direct labour	40 000	60 000
Electricity & water	90 000	130 000
Licence fee	<u>10 000</u>	<u>10 000</u>
Total costs	380 000	560 000
	=====	=====

REQUIRED:

Prepare a flexible budget at 11 000 level of activity. Show the relevant workings.

QUESTION 4**(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%

Requirement:

1. Variable cost per unit (2)
2. Contribution margin per unit (2)
3. Contribution margin ratio (2)
4. Total contribution margin (2)
5. Break-even-point in units. (3)
6. Break-even-point in value (N\$) (3)
7. Margin of safety in units (3)
8. Margin of safety ratio (3)
9. 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)

The End!

QUESTION 1: ANSWER SHEET	STUDENT NUMBER:	
---------------------------------	------------------------	--

1	A	B	C	D
2	A	B	C	D
3	A	B	C	D
4	A	B	C	D
5	A	B	C	D

6	A	B	C	D
7	A	B	C	D
8	A	B	C	D
9	A	B	C	D
10	A	B	C	D

11	A	B	C	D
12	A	B	C	D
13	A	B	C	D
14	A	B	C	D
15	A	B	C	D

16	A	B	C	D
17	A	B	C	D
18	A	B	C	D
19	A	B	C	D
20	A	B	C	D