



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**

**CENTRE FOR ENTERPRISE DEVELOPMENT (CED)**

<b>QUALIFICATION CODE:</b> 06DBPM	<b>LEVEL:</b> 6
<b>COURSE CODE:</b> BAC621C	<b>COURSE NAME:</b> BUSINESS ACCOUNTING 2B
<b>DATE:</b> JULY 2022	<b>MODE:</b> PM
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

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

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

**PERMISSIBLE MATERIALS**

1. Examination paper
2. Examination script

**THIS QUESTION PAPER CONSISTS OF 10 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 - Life Ltd has a maximum capacity of 15 000 units of a certain product per year. Other details regarding this product are as follows:

Sales (selling price per unit N\$50)	N\$225 000
Contribution margin per unit	N\$20
Fixed costs	N\$52 500 per year

The number of units to be sold to earn a target net income of N\$15 500 is:

- A. 2 625
  - B. 4 500
  - C. 3 400
  - D. 3 500
2. New - Life Ltd has a maximum capacity of 15 000 units of a certain product per year. Other details regarding this product are as follows:

Sales (selling price per unit N\$50)	N\$225 000
Contribution margin per unit	N\$20
Fixed costs	N\$52 500 per year

Break-even point in N\$ is:

- A. N\$131 250
  - B. N\$130 250
  - C. N\$130 500
  - D. N\$131 500
3. New - Life Ltd has a maximum capacity of 15 000 units of a certain product per year. Other details regarding this product are as follows:

Sales (selling price per unit N\$50)	N\$225 000
Contribution margin per unit	N\$20
Fixed costs	N\$52 500 per year

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

- A. 2 525
- B. 2 565
- C. 2 600
- D. 2 625

4. New - Life Ltd has a maximum capacity of 15 000 units of a certain product per year. Other details regarding this product are as follows:

Sales (selling price per unit N\$50)	N\$225 000
Contribution margin per unit	N\$20
Fixed costs	N\$52 500 per year

Variable cost ratio to sales is:

- A. 100%
- B. 60%
- C. 40%
- D. 25%

5. New - Life Ltd has a maximum capacity of 15 000 units of a certain product per year. Other details regarding this product are as follows:

Sales (selling price per unit N\$50)	N\$225 000
Contribution margin per unit	N\$20
Fixed costs	N\$52 500 per year

Contribution margin ratio to sales is:

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

6. New - Life Ltd has a maximum capacity of 15 000 units of a certain product per year. Other details regarding this product are as follows:

Sales (selling price per unit N\$50)	N\$225 000
Contribution margin per unit	N\$20
Fixed costs	N\$52 500 per year

Number of units sold during the period are:

- A. 15 000
  - B. 4 500
  - C. 5 400
  - D. 3 500
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. Break-even point in N\$ is:
- A. N\$150 000
  - B. N\$180 000
  - C. N\$125 000
  - D. N\$145 000
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\$45 000 per month. Break-even point in units are:
- A. 2 500
  - B. 2 000
  - C. 3 000
  - D. 4 500
9. Fast-But-Sure Ltd. makes a high-quality wooden birdhouse; and during the month of May 2022 there were 2 000 units sold. The firm had generated a revenue of N\$90 000, during the month of May 2022. Contribution margin ratio to sales is 40%, and fixed costs total N\$25 000 per month. Due to an increase in demand, the company estimates that sales will increase by N\$37 500 during

the next month. By how much should net income increase (or net loss decrease) assuming that fixed costs do not change?

- A. N\$11 000
- B. N\$26 000
- C. N\$15 000
- D. N\$25 000

10. Fast-But-Sure Ltd. makes a high-quality wooden birdhouse; and during the month of May 2022 there were 2 000 units sold. The firm had generated a revenue of N\$90 000, during the month of May 2022. Contribution margin ratio to sales is 40%, and fixed costs total N\$25 000 per month. Net profit for the month of May 2022 is:

- A. N\$27 000
- B. N\$11 000
- C. N\$11 500
- D. N\$36 000

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

<b>Inventory levels (2022)</b>	<b>1 May</b>	<b>31 May</b>
Raw material (kilograms)	2 000	1 200
Finished products (units)	????	1 500
Sales sold	3 600 units at N\$150 per unit	
Production units	3 800	

The units of opening inventory (finished goods) are.....

- A. 2 000
- B. 1 000
- C. 1 500
- D. 1 300

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

<b>Inventory levels (2022)</b>	<b>1 June</b>	<b>31 June</b>
Raw material (kilograms)	2 000	1 000
Finished products (units)	1 000	1 200
Budgeted sales	3 800 units	

The budgeted production in units are.....

- A. 4 000
- B. 4 500
- C. 5 300
- D. 4 300

13. Wana CC produces and sells only one product.

The following budgeted data is available:

<b>Inventory levels (2022)</b>	<b>1 June</b>	<b>31 June</b>
Raw material (kilograms)	2 000	1 000
Finished products (units)	1 000	1 200
Budgeted sales N\$108 000		
Production units 3 800		

Budgeted selling price per unit is...

- A. N\$30
- B. N\$25
- C. N\$36
- D. N\$40

14. Vati-vati CC produces and sells only one product. The following information is available

**Standard cost**

Direct Materials	2.5kg per unit @ N\$30 per kg
Direct Labour	2 hours per unit @ N\$50 per hour

<b>Inventory levels (2022)</b>	<b>1 April</b>	<b>30 April</b>
Raw material (kilograms)	1 000	600
Finished products (units)	500	600

**Budgeted sales – April 2022**  
1 800 units at N\$300 per unit

Budgeted production units are.....

- A. 1 500
- B. 1 300
- C. 1 800
- D. 1 900

15. Vati-vati CC produces and sells only one product. The following information is available

**Standard cost**

Direct Materials 2.5kg per unit @ N\$30 per kg  
Direct Labour 2 hours per unit @ N\$50 per hour

<b>Inventory levels (2022)</b>	<b>1 April</b>	<b>30 April</b>
Raw material (kilograms)	1 000	600
Finished products (units)	500	600

**Budgeted sales – April 2022**

1 800 units at N\$300 per unit

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

- A. 3 300
- B. 3 800
- C. 3 900
- D. 3 500

16. Vati-vati CC produces and sells only one product. The following information is available

**Standard cost**

Direct Materials 2.5kg per unit @ N\$30 per kg  
Direct Labour 2 hours per unit @ N\$50 per hour

<b>Inventory levels (2022)</b>	<b>1 April</b>	<b>30 April</b>
Raw material (kilograms)	1 000	600
Finished products (units)	500	600

**Budgeted sales – April 2022**

1 800 units at N\$300 per unit

Total budgeted direct labour cost is ....

- A. N\$110 000
- B. N\$190 000
- C. N\$360 000
- D. N\$180 000

17. 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 direct material price variance is .....

- A. N\$36 000
- B. N\$35 500

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. 6 800

B. 6 000

C. 6 500

D. 6 200

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

Standard direct materials are 5kg at N\$30 per kg; and actual total direct materials are 3 000kg at N\$25 per kg. Actual production units are 500 units. The direct material usage variance is....

A. N\$15 500

B. N\$13 000

C. N\$12 500

D. N\$12 000

20. Vinia CC produces and sells only one product.

The following information is available

**Standard cost:**

Direct Labour            2 hours per unit @ N\$20 per hour

**Actual direct labour production:**

Direct labour cost            N\$275 000

Direct labour rate per hour N\$25

**Actual production units 15 000**

The actual direct labour hours are.....

A. 12 000

B. 12 500

C. 11 000

D. 11 500



**QUESTION 2****(20 Marks)**

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

	Per unit	10 000 units
	<u>N\$</u>	<u>N\$</u>
Sales at N\$23.50 per unit	23.50	235 000
Production costs:		
Direct material – 5 kg @ N\$2 per kg	10.00	100 000
Direct labour – 1 hour @ N\$5 per hour	5.00	50 000
Variable overheads – 1 labour hour	<u>2.00</u>	<u>20 000</u>

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

Actual production	11 000 units
Direct material	54 000 kg at N\$27 500
Direct labour	10 500 hours at N\$57 750

**REQUIRED:**

2.1 Calculate the following variances:

1. Direct material price (4)
2. Direct material usage (4)
3. Direct labour rate (4)
4. Direct labour efficiency (4)

2.2 What is a variance and why is it important to calculate and analyse variances? (4)

**QUESTION 3****(40 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 Polytechnic 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:

	N\$
Sales price per pair of sandals	400
Variable expenses per pair of sandals	160
Contribution margin per pair of sandals	240
Total fixed expenses	60 000

**REQUIRED:**

- 3.1 Calculate Variable cost ratio and contribution ratio. (4)
- 3.2 Calculate how many pairs of sandals must be sold each year to break even. Also state what this represents in total dollar sales. (6)
- 3.3 Angie has decided that she must earn at least N\$31 200 the first year to justify her time and effort. Calculate how many pairs of sandals must be sold to reach this target profit. (4)
- 3.4 Angie now has two salespersons working in the store – one full time and one part time. It will cost her an additional fixed cost of N\$75 000 per year to convert the part-time position to a full-time position. Angie believes that the change will bring in an additional N\$120 000 in sales each year. Make a recommendation whether she should convert the position. (assuming current sales value is N\$320 000 before additional N\$120 000) (10)
- 3.5 Refer to the original data. During the first year, the store sold only 300 pairs of sandals and reported the following operating results:

	N\$
Sales (300 pairs)	120 000
Less: variable expenses	<u>(48 000)</u>
Contribution margin	72 000
Less: Total fixed expenses	<u>(60 000)</u>
Net income	<u>12 000</u>

- 3.5.1 Calculate the store's degree of operating leverage. (3)
- 3.5.2 Angie is confident that with a more intense sales effort and with a more creative advertising program she can increase sales by 25% next year. Calculate the net income by using the degree of operating leverage. (3)
- 3.6 Discuss five important assumptions underlying the cost-volume-profit analysis. (10)

## The End!