NAMIBIA UNIVERSITY OF SCIENCE AND TECHNOLOGY

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: BAC621C	**COURSE NAME:** BUSINESS ACCOUNTING 2B
SESSION: JUNE 2024	**PAPER:** PAPER 1
DURATION: 3 HOURS	**MARKS:** 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
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MODERATOR	Lameck Odada

INSTRUCTIONS

1. This question paper is made up of four (4) questions.
2. Answer **ALL** the questions in blue or black ink only. **NO** pencil
3. Start each question on a new page in your answer booklet and **show all workings.**
4. Round off only final answers to two (2) decimal places 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

Silent, non-programmable calculators

THIS QUESTION PAPER CONSISTS OF 8 PAGES (including this front page)

QUESTION 1 **[20 MARKS]**

Each of the following questions has only ONE correct answer. In your answer script, only write down the numbers of the questions and next to each number the letter which, in your opinion, represents the correct answer.

The following details refer to Questions 1.1 and 1.3:
NONA Company recorded the following direct material costs during last month:

Standard quantity material allowed	12 000 kg
Actual quantity materials used	15 000 kg
Materials quantity variance	N$78 000
Total actual direct materials cost	N$375 000

1.1 NONA's actual materials price was:
- A. N$31.25
- B. N$26.00
- C. N$32.15
- D. N$25.00

1.2 NONA's standard materials price was:
- A. N$31.25
- B. N$26.00
- C. N$32.15
- D. N$25.00

1.3 NONA's materials price variance was:
- A. N$15 000 adverse
- B. N$13 500 adverse
- C. N$15 000 favourable
- D. N$13 500 favourable

1.4 The difference between the actual and standard labour rate multiplied by the actual direct labour hours worked in production is called:
- A. Direct labour flexible budget variance
- B. Direct labour quantity variance
- C. Direct labour efficiency variance
- D. Direct labour rate variance

1.5 The following statement is NOT true with regard to standard costing:
- A. The standard quantity of material represents the amount of material that should have been used for the actual output.
- B. Material usage variance = (SQ – AQ) x AP
- C. If a lower quality raw material is purchased, it may result in an adverse material usage variance.
- D. Labour efficiency variance = (SH – AH) x SR

1.6 The operating leverage factor is calculated as follows:

A. Contribution ÷ Fixed costs
B. Contribution ÷ Variable cost
C. Variable costs ÷ Fixed costs
D. Contribution ÷ Net profit

1.7 The following is NOT an assumption of CVP analysis:

A. The variable cost per unit varies over the relevant range of activity.
B. Selling price remains constant per unit irrespective of the sales volume.
C. The total fixed cost per unit varies over the relevant range of activity.
D. The total variable cost changes in direct proportion to changes in the level of activity over the relevant range of activity.

1.8 An organisation manufactures and sells a single product which has a variable cost N$24 per unit and total variable costs to sales ratio of 60%. Total monthly fixed costs are N$720 000.

What is the monthly break-even point (in units)?

A. 18 000
B. 20 000
C. 30 000
D. 45 000

The following details refer to Questions 1.9 and 1.10:

A company manufactures a single product which it sells for N$15 per unit. The production has total variable costs to sales ratio of 60%.
The company's weekly break-even point in sales is N$18 000.

1.9 What is the amount of fixed costs?

A. N$7 200
B. N$1 800
C. N$2 700
D. N$ 4 500

1.10 What would be the profit in a week if 1 500 units are sold?

A. N$7 200
B. N$1 800
C. N$2 700
D. N$ 4 500

(2 marks each, 2 x 10 = 20 marks)

QUESTION 2 **[28 MARKS]**

A company manufactures and sells a finished product called Delta. You were recently appointed as the cost accountant of this company and one of your duties is to assist in the preparation of the annual budget. The following estimated figures have been gathered for 2023:

Projected sales:

Product	Units	Price per unit
Delta	6 000	N$70

Estimated inventories (units):

Product	1 January	31 December
Delta	2 000	2 500

Production schedule to manufacture one unit of Delta:

Raw material:
Mixture 4 kilograms @ N$8 per kilogram

The following is anticipated with respect to raw materials inventories:

1 January	**31 December**
3 200 kg	3 600 kg

Direct labour is estimated as follows:

	Hours per unit	**Rate per hour**
Delta-maker	2	N$30

Overheads are absorbed at a rate of N$20 per direct labour hour.

REQUIRED:

Prepare the following budgets for 2017:

2.1	Sales budget (in N$)	(3)
2.2	Production budget (in units)	(4)
2.3	Raw material purchases budget for each raw material (in units and N$)	(7)
2.4	Direct labour budget (in hours and N$)	(3)
2.5	Variable overheads (in N$)	(3)
2.6	Discuss any four major benefits to be gained from budgeting	(8)

QUESTION 3 **[20 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 NUST 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
Pairs of sandals sold	300
Total fixed expenses	60 000

REQUIRED:

3.1 Calculate how many pairs of sandals must be sold each year to break even. Also state what this represents in total dollar sales. (6)

3.2 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. (3)

3.3 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. (6)

3.4 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	(48 000)
Contribution margin	72 000
Less: Total fixed expenses	(60 000)
Net income	12 000

3.4.1 Calculate the store's degree of operating leverage. (3)

3.4.2 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 expected percentage increase in net income by using the degree of operating leverage to compute your answer. (2)

QUESTION 4 **(20 MARKS)**

Namtura Ltd (pty) manufactures printing paper in its Windhoek plant. The managing director has become aware of the disadvantages of fixed budgets and asks you to prepare a flexible budget for the next accounting period. The following for 2024 is available:

	Budget		Actual
	N$	N$	N$
Activity level (machine hours)	16 000	20 000	18 000
Repairs and maintenance	80 000	100 000	96 000
Supplies	64 000	80 000	70 000
Water and electricity	152 000	160 000	152 000
Telephone	48 000	60 000	56 000
Rates	90 000	110 000	104 000
Energy	60 000	70 000	75 000
Salary	20 000	20 000	25 000
Total costs	514 000	600 000	578 000

REQUIRED

Actual production required 18 machine hours during 2024. Prepare a performance report for 2024, clearly indicate flexible budget and variances.

Note: Round off variable cost per unit to two decimal places, total costs and variances to the nearest N$.

QUESTION 5 **[12 MARKS]**

Haupindi CC is considering a project that would have a ten-year life and would require a N$1 000 000 investment in equipment. It is estimated that the project will terminate at the end of ten years and that it will generate net cashflow of N$300 000, annually. The company's required rate of return is 12%. It is further estimated that the project will provide the following net income each year:

REQUIRED: Compute the project's net present value.

END OF EXAMINATION 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.