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 2025	**PAPER:** PAPER 1
DURATION: 3 HOURS	**MARKS:** 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER	Gerhardt Sheehama
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 6 PAGES (including this front page)

QUESTION 1 **(10 MARKS)**

Each of the following questions has only ONE correct answer. In your answer script, write down the numbers 1.1 to 1.5 in the provided answer scripts. Then, next to each number only write down the letter which in your opinion, represents the correct answer.

1.1 The Ship Company is planning to produce single product. Sales are estimated at 10 000 units at N$400 per unit. Variable costs are 70% of sales. Estimated fixed costs amount to N$150 000. The break-even point in units for the Ship Company is:

a) 1 375 units

b) 1 500 units

c) 1 275 units

d) 1 250 units

1.2 The Ship Company is planning to produce single product. Sales are estimated at 10 000 units at N$400 per unit. Variable costs are 70% of sales. Estimated fixed costs amount to N$150 000. The break-even point in value (N$) for the Ship Company is:

a) N$500 000

b) N$550 000

c) N$500 000

d) N$510 000

1.3 Last year, Black Company reported sales of N$640 000, a contribution margin of N$160 000, and a net loss of N$40 000. Based on this information, total fixed cost was:

a) N$400 000

b) N$200 000

c) N$160 000

d) N$120 000

1.4 Break-even analysis assumes that:

a) total costs are unchanged

b) unit fixed expenses are unchanged

c) variable expenses are non-linear

d) unit variable expenses are unchanged

1.5 Corrie Ltd sells Product K for N$360 per unit while the variable costs amount to N$198 per unit. The annual fixed cost of the company is N$207 000. In order to show a net income of N$45 000 per year, the sales revenue should amount to:

a) N$320 000

b) N$468 000

c) N$512 000

d) N$560 000

QUESTION 2 **[22 MARKS]**

Match the terms and concepts to the appropriate defining details, formula, or example in the right column to left column below. Provide your answers by only giving the number and corresponding letter.

Terms and Concepts	Defining details, formula, or example
1. Budget	a) A process of involving the steps taken by management to ensure that the objectives set down at the planning stage are attained.
2. Planning	b) A process of budgeting where the previous period's results are used as basis for the budget
3. Control	c) A budget that deals with cash flows only.
4. Zero-base budgeting	d) A process of involving developing objectives and preparing various budgets to achieve these objectives.
5. Incremental budgeting	e) Area of responsibility for sales budget
6. Strategic budget	f) Projected sales plus desired closing inventory less opening inventory.
7. Sales manager	g) A summary of all individual functional budgets.
8. Production budget	h) A continuous budget
9. Master budget	i) A detailed plan for the acquisition and use of other financial sources over a specified time period.
10. Rolling budget	j) A budget that is prepared from "scratch."
11. Cash budget	k) Long term budget

QUESTION 3 **[22 MARKS]**

Nam-Dairy Ltd operates a dairy manufacturing business called Sweet-Dairy. The company produces variants of organic cream. The best-selling organic cream ice cream is Strawberry Glaze, of which the sales have more than tripled during the last six months.

The following information relates to the production of Strawberry Glaze.

The two main ingredients required to produce Strawberry Glaze are organic milk and organic mixed berries. The forecasted sales figure for Strawberry Glaze is 1 600 units at N$400 each. Each of unit of Strawberry Glaze requires 5 litres of organic milk and 4 kg of organic mixed berries to produce. The company accountant calculated the cost of organic milk to be N$20 per litre. In addition, the organic mixed berries are purchased at N$15 per kg. The price of organic mixed berries is expected to increase to N$25 per kg in April 2025.

The company's manufacturing process is 90% machine intensive. Therefore, the company employs workers only to package the final product. It takes 1 hour and 30 minutes to package the final product. These workers are remunerated at N$30 per hour.

The inventory levels for the month of March 2025 are:

	1 March 2025	**31 March 2025**
Strawberry Glaze	400 units	700 units
Organic milk	5 600 litres	4 500 litres
Organic mixed berries	3 000 kg	3 600 kg

REQUIRED: Draft the following budgets for the month of March 2025:		**MARKS**
a)	Sales budget	**3**
b)	Production budget	**4**
c)	Direct materials purchases budget	**12**
d)	Direct labour budget	**3**

QUESTION 4 [25 MARKS]

Robb Plc is an engineering company that repairs machinery and manufactures replacement parts for machinery used in the building industry. There are a number of different departments in the company including a foundry, a grinding department, a milling department and a general machining department. Robb Plc prepared its budget for the year ending 31 December 2024 using an incremental budgeting system.

The budget is set centrally and is then communicated to each of the managers who have responsibility for achieving their respective targets. The following report has been produced for the general machining department for December 2024:

	Budget	Actual	Variance
Number of machine hours	9 000	11 320	2 320 (F)
	N$	N$	N$
Cleaning materials	135 000	174 000	39 000 (A)
Steel	450 000	560 000	110 000 (A)
Other direct materials	45 000	70 000	25 000 (A)
Direct labour	290 000	324 000	34 000 (A)
Production overheads	300 000	426 000	126 000 (A)
Totals	**1 220 000**	**1 554 000**	**334 000 (A)**

The manager of the general machining department has received a memo from the Financial Controller requiring him to explain the serious overspending within his department. The manager has sought your help and, after some discussion, you have ascertained the following:

- The cleaning materials, steel and other direct materials vary in proportion to the number of machine hours.
- The budgeted direct labour costs include fixed salary costs of N$42 500; the balance is variable in proportion to the number of machine hours.
- The production overhead costs include a variable cost that is constant per machine hour at all activity levels, and a stepped fixed cost which changes when the activity level exceeds 10 000 machine hours. A further analysis of this cost is shown below:

Activity (machine hours)	2 000	7 000	14 000
Costs (N$)	140 000	245 000	458 000

REQUIREMENTS:

(a) Prepare a revised budgetary control statement using the additional information that you are provided (15

(b) Discuss some of the major benefits to be gained from budgeting. (10)

QUESTION 5 **(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)

END OF EXAMINATION PAPER