



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES & EDUCATION
DEPARTMENT OF ECONOMICS, ACCOUNTING & FINANCE**

QUALIFICATION : BACHELOR OF ACCOUNTING (CHARTERED ACCOUNTANCY)	
COURSE CODE: FAM701Y	COURSE NAME: FINANCIAL MANAGEMENT 300
DATE: NOVEMBER 2025	PAPER: PRACTICAL AND THEORY
DURATION: 3 HOURS	MARKS: 100

NOVEMBER 2025 SECOND OPPORTUNITY ASSESSMENT QUESTION PAPER	
EXAMINER:	Mr. S. Nghiwilepo
MODERATOR:	Mr. T. Lunga

INSTRUCTIONS:
<ul style="list-style-type: none">• This paper consists of 10 pages including the cover page.• Answer ALL questions in blue or black ink only. No PENCIL.• Start each question on a new page.• Silent, non-programmable calculators may be used, unless otherwise instructed.• Show all your workings clearly. Unless otherwise instructed, round all calculations to two decimal places.

Question 1

[60 Marks]

Bokomo Namibia (Pty) Ltd “The Company or Bokomo”, established in 1998, is a leading food manufacturer in Namibia. The company has two major shareholders with equal share holding. Bokomo produces and distributes essential staple products including Champion maize meal, Bokomo flour, Marathon sugar, nice rice, and Pasta Grandé.

The company recently expanded into pasta production, driven by increased urban demand for affordable carbohydrate alternatives. Bokomo’s strategic focus is to:

1. Strengthen its presence in staple foods (maize meal, flour, rice, sugar).
2. Diversify into higher-margin convenience products such as pasta, ready-to-cook meals and health related products.
3. Invest in modern production technology to improve efficiency and reduce unit costs.

Namibia’s manufacturing sector remains in its infancy stage, with the economy heavily reliant on imports of processed goods, particularly from South Africa. At present, much of Namibia’s natural resources – including fish, livestock, and marine products – are exported in raw form, with limited value addition locally. This has restricted industrial growth, job creation, and innovation in the manufacturing sector.

Bokomo wants to bridge this gap by producing products in Namibia, by Namibians. In a recent interview with the Namibian Broadcasting Corporation (NBC), the Managing director of Bokomo, Mr. Tangeni Kornelius indicated that *“Namibia is blessed with abundant resources. However, it is sad to note that 35 years after independence, majority of the population is still in poverty with graduates unable to find jobs. He further stated that, the solution is to invest in the manufacturing sector as it has the potential to absorb most if not all of these graduates”*.

Mr. Tangeni further indicated that Bokomo embraces organic growth arguing that this makes the company more stable and less risky compared to rapid acquisition – led expansion. He also stated that this type of strategy enables the company to grow at its own pace without being overly dependent on outside investors. Unlike mergers which often face clashes in values or systems, organic growth maintains the company’s existing culture and identity.

The company has a 31 October financial year end.

PART A

In preparation for the 2026 financial year, you have been provided with the following information pertaining to one of Bokomo’s product, Champion Super Maize Meal (10kg bag). Bokomo sells its maize meal mainly to Namibian supermarket chains and some to wholesalers. Supermarkets can buy on credit, while wholesalers pay cash on delivery.

	Actual Results FY2025			Estimated Results FY2026		
	August N\$	September N\$	October N\$	November N\$	December N\$	January N\$
Total Sales Revenue	1,920,000	2,400,000	1,200,000	3,200,000	4,000,000	1,800,000
Total Purchases	520,000	880,000	380,000	965,000	1,500,000	400,000
Sales Commission	?	?	?	?	?	?

Additional information

- 40% of total sales are cash with the balance being credit sales.
- 65% of total purchases are credit with the balance being cash purchases.

Collections for credit sales are as follows:

- 20% is collected in the month of the sale and a 2% discount is granted on these collections.
- 60% is collected in the month following the month of sale.
- 15% is collected in the second month following the month of sale.
- 5% is written off as unrecoverable debts.
- At the end of September 2025, Bokomo invested N\$1,700,000 in fixed deposits with Windhoek Bank. Interest will be received monthly at 10% per annum starting end of October 2025. The interest earned is paid out immediately. Half of these fixed deposits will mature on 31 December 2025. The rest matures in March 2026.
- Creditors are paid 2 months after the date of invoice.
- Rent expense amounts to N\$22,000 per month and is payable on the first day of each month.
- Salaries amount to N\$800,000 per month. One employee, who earns N\$25,000 per month resigned at the end of October 2025. The salaries of the remaining employees will be increased by 10% with effect from 1 January 2026.
- A new packaging machine is expected to be purchased for N\$300,000 cash on 1 January 2026. As per the company policy, depreciation is calculated using the straight-line method over the asset’s useful life which is 5 years.
- Commission is paid to sales personnel in the month following the month in which it was earned at a rate of 10% of total sales.
- A vehicle with a carrying value of N\$80,000 will be traded in at book value on 1 December 2025 for a new vehicle costing N\$300,000. A deposit of 10% on the Net balance will be paid on 1 December 2025 and the balance of the outstanding amount will be paid in six equal instalments commencing 1 January 2026.

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- Other operating expenses are estimated to amount to N\$550,000 in November 2025. Other operating expenses are expected to increase by 10% in January 2026.
- On 31 October 2025 Bokomo had a favourable bank balance of N\$500,000. The company wishes to maintain a cash balance of N\$500,000 at the end of each month and will borrow funds from Windhoek Bank to facilitate this. The funds will be borrowed at the beginning of the month, and interest of 10,50% per month will be paid at the beginning of the next month on the balance outstanding. The full borrowed amount is repaid at beginning of the following month if the company has generated sufficient cash flows that results in maintaining the required cash balance.

Cash budget prepared by the Creditors Clerk

Details	Cash Budget		
	November	December	January
Opening Cash balance	500,000	500,000	500,000
Sales	1,280,000	1,600,000	720,000
Interest received on Fixed Deposit	14,167	14,167	14,167
Total Cash Available	1,794,167	2,114,166	1,234,166
Total Expenditure	- 1,294,167	-1,614,167	- 734,166
Purchases	- 627,250	- 975,000	- 260,000
Rent Expense	- 35,000	- 35,000	- 35,000
Salaries	- 800,000	- 800,000	- 880,000
Sales Commission	- 128,000	- 160,000	- 72,000
Depreciation Packaging machine	-	-	- 60,000
Vehicle Trade in	-	- 22,000	- 33,000
Other Operating expenses	- 550,000	- 550,000	- 605,000
Bad debts	- 96,000	- 120,000	- 54,000
Loan received / (repaid) Windhoek Bank	942,083	1,146,752	1,385,243
Interest on loan	-	- 98,919	- 120,409
Closing Cash Balance	500,000	500,000	500,000

Debtors Collection Schedule prepared by the creditors Clerk

Month	Credit Sales	Debtors Collection Schedule		
		November	December	January
Sep-25	1,440,000	216,000	-	-
Oct-25	720,000	432,000	108,000	-
Nov-25	1,920,000	376,320	1,152,000	288,000
Dec-25	2,400,000	-	470,400	1,440,000
Jan-26	1,080,000	-	-	211,680
Total		1,024,320	1,730,400	1,939,680

PART B

To support its strategic focus and regional growth, Bokomo Namibia is exploring product diversification in Henties Bay. The coastal town is well known for its seal population, and after feasibility studies were conducted, the company is now considering renting a seal processing factory within which it will produce a product to be called “NamSeal Oil” from Cape fur seals along Namibia’s coastline.

NamSeal Oil will be refined into two lines: culinary-grade seal oil rich in Omega-3 fatty acids will be used for cooking and dietary supplements, and cosmetic-grade seal oil for use in skin and hair care products. The seals will be harvested under government-approved sustainable quotas. Both products will be marketed locally and exported to health-conscious markets abroad.

Production process

STEP 1: Bulk Extraction

- The company will use one oil extraction machine (to be acquired)
- The initial production run of the machine will extract bulk crude seal oil from raw seal tissue. This initial filtration removes solids.

STEP 2: Product Split

- **Culinary-Grade seal oil:**
 - This oil will be called “*Namib Omega*”
 - Further filtration and refining will be done to meet food-grade standards.
 - Antioxidants are added to extend shelf-life.
 - This product will be packaged and sold in 1-litre amber glass bottles

- **Cosmetic-Grade seal oil:**
 - This oil will be called “*Namib Glow*”
 - Cosmetic-grade refinement (may include mild filtration).
 - Optional addition of vitamins or essential oils for skin/hair benefits.
 - This oil will be bottled into 100ml opaque glass bottles with pump dispenser.
 - This product will be packaged and sold in 100ml opaque glass bottles with pump dispenser

NB: Both products originate from the same extraction machine, but production runs are separate to ensure quality, regulatory compliance, and correct formulation.

Cost Estimation – Namib Omega

	Cost per bottle (N\$)
Raw material (seal oil, antioxidants, bottle, cap, label)	300
Labour (production and packaging staff)	50
Variable manufacturing overheads	40
Selling price per bottle	800

Cost Estimation – Namib Glow

	Cost per bottle (N\$)
Raw material (seal oil, additives, bottle, pump dispenser, label)	50
Labour (production and packaging staff)	15
Variable manufacturing overheads	10
Selling price per bottle	180

Projected Sales Units

	Namib Omega	Namib Glow
Year 1	4,000	4,000
Year 2	4,000	6,000
Year 3	4,600	9,000
Year 4	5,300	10,000
Year 5	6,000	12,000

Other relevant information

- To commence production, the company needs to acquire a Seal Oil Extraction machine. A supplier in Cape Town, South Africa, Southern Star Processing Equipment’s (Pty) Ltd has indicated that the cost of the machine is N\$3,500,000 including transport. The machine has a useful life of five years.
- Installation costs amount to 5% of the machine purchase price.
- The factory rent in year 1 and 2 will be N\$22,000 per month. The monthly rental will increase by inflation at the end of year 3 and then remain stable until year 5.
- Salaries of production supervisor is anticipated to be N\$960,000 per annum throughout the five-year period
- Insurance of the new production machinery is N\$9,600 per month throughout the five years.
- Maintenance of machine will amount to N\$25,000 per month throughout the five years.
- The company’s before tax cost of debt is 10% while the weighted average cost of capital is 12%
- The Namibian Consumer Price Index is estimated to be 6%
- The company’s policy is to depreciate production machinery over their useful lives.
- The Namibian Revenue Agency (NamRA) allows tax deduction on production machinery in the ratio 40:20:20:20
- The company tax rate in Namibia is 30%
- Bokomo expects to sell the machine for its salvage value of N\$675,000 at the end of five years

Incremental Working capital requirements are as follows

Year	0	1	2	3	4
	N\$	N\$	N\$	N\$	N\$
Incremental	400,000	200,000	150,000	80,000	40,000

REQUIRED 1 – 30 MARKS

Using the information in PART A only

Review the cash budget prepared by the creditors clerk and identify any errors or omissions. **You must not prepare a cash budget, just review the prepared cash budget.** Assume that the debtor's collection schedule prepared by the creditor's clerk is correct. Prepare your review using a table format as indicated below:

Error or omission identified	Why it is an error	Recommendation to correct error or omission

REQUIRED 2 – 30 MARKS

	Using the information in PART B only	MARKS
a)	Using the Net Present Value technique, evaluate and advice whether the company should start operating the seal processing factory. Show all your workings.	20
b)	Based on the proposed sales, evaluate whether the Henties Bay factory will break even in year 1. Show all your workings.	10
	TOTAL MARKS QUESTION 1	60

Question 2

[15 Marks]

DesertShield Manufacturing (Pty) Ltd "DSM", a manufacturing company, has been invited to provide a quotation for the manufacture of equipment required by the Namibian Defence Force (NDF) at their local army base. This is a once-off order in excess of normal budgeted production. The Management Accountant has already prepared the following cost estimates:

			<i>Note</i>	
Direct materials				
	Steel	100m ² @ N\$5.00 / m ²	1	N\$ 500.00
	Fittings		2	N\$ 120.00
Direct labour				
	Skilled	25hrs @ N\$80 / hr	3	N\$ 2,000.00
	Semi-skilled	10hrs @ N\$35 / hr	4	N\$ 350.00
Overhead			5	N\$ 500.00
Estimating time		4hrs @ N\$150 / hr	6	N\$ 600.00
				N\$ 4,070.00
Administration overhead	@ 20% of production cost		7	N\$ 814.00
				N\$ 4,884.00
Profit	@ 25% of total cost		8	N\$ 1,221.00
Selling price				N\$ 6,105.00

Notes:

1. The steel is regularly used and has a current stock value of N\$5.00 per square metre. There are currently 1,000 square metres in stock. The steel is readily available at a price of N\$5.50 per square metre.
2. The fittings would have to be bought specifically for this job. A supplier has quoted the price of N\$120 for the fittings required.
3. The skilled labour is currently employed by your company and paid at a rate of N\$80.00 per hour. If this job were to be undertaken, it would be necessary to work 25 hours overtime, which would be paid at time-and-a-half. The other alternative is to finish the work in normal time, which means that the production of another product that earns a contribution of N\$45.00 per hour will have to be scaled down. (The cost of labour has already been taken into account in determining this contribution)
4. The semi-skilled labour currently has sufficient paid idle time to be able to complete this work. These labourers will still be employed by the company and receive full pay, even if the quotation does not get accepted.

5. The overhead allocation rate includes electricity costs, which are directly related to the degree of machine usage. If this job were to be undertaken, it is estimated that the machine time required would be ten hours. The machines incur electricity costs of N\$1.25 per hour. There are no other overhead costs that can be specifically identified with this job.
6. The cost of the estimating time is attributed to the four hours taken by the engineers to analyse the drawings and determine the cost estimate given above.
7. It is company policy to add 20% to the production cost as an allowance for administration costs associated with the jobs accepted.
8. This is the standard profit added by the company as part of its pricing policy.

REQUIRED

Prepare a schedule in which you re-calculate the minimum price DSM can quote for the manufacturing contract, using relevant costing principles. Provide a reason for EACH of the values in your estimate, as well as values omitted. **(15)**

Source: NWU adapted

Question 3

[25 Marks]

Savanna Comforts (Pty) Limited, a newly established manufacturing company in Otjiwarongo, manufactures two types of bath robes. One type of robe is sold locally, and the other type is exported to the Middle East for sale in the gulf region. While the designs are identical, the material used is different to cater for the different climatic conditions of the market segments. The two products are produced with the same equipment, and they utilise the same overhead resources. In 2026, the company has budgeted to manufacture 60,000 robes for the local market and 40,000 for the export market. The manufacturing is done in batches of 1,000 robes each.

Analysis of overhead costs

Material handling	N\$ 200,000
Material procurement	N\$ 40,000
Machine set-up	N\$ 180,000
Quality control	N\$ 270,000
Production	N\$ 610,000
Depreciation	N\$ 200,000
TOTAL	N\$ 1,500,000

Analysis of cost drivers

Overhead	Cost driver	Local	Export
Material handling	Material movements	100	60
Material procurement	Number of orders	200	200
Machine set-ups	Number of set-ups / batches	1	1
Quality control	Number of inspections	150	100
Machine hours / unit	Machine hours / unit	3	5
Production	Direct labour hours / unit	0.75	0.50

The company management has been using the “traditional costing approach” to allocate overheads between the two products, using direct labour hours as the allocation base. They are thinking of applying the Activity-Based Costing System.

REQUIRED

	Calculate the overhead cost per unit, using:	MARKS
a)	The traditional costing approach	4
b)	The Activity-Based Costing approach	21
	TOTAL MARKS QUESTION 3	25

Source: UJ adapted