

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF INDUSTRIAL TECHNOLOGY

DEPARTMENT OF INDUSTRIAL AND MANUFACTURING ENGINEERING

SUPPLEMENTARY EXAMINATIONS – OCTOBER 2009

BUSINESS STUDIES 111 – TIE 5105 – (FINANCIAL ANALYSIS)

INSTRUCTION TO CANDIDATES:

TIME ALLOWED: 3 HOURS

1. ANSWER ANY FOUR OUT OF FIVE QUESTIONS
2. START EACH ANSWER ON A NEW SHEET

QUESTION 1

Plentiful Plants has attempted to improve their stock turnover in recent years without reducing their prices.

The accountant has prepared the following results:

$\frac{\text{Average Stock}}{\text{Cost of Goods Sold}} \times 365$	
Year	Stock Turnover
2004	94 days
2005	82 days
2006	65 days

Required

State two measures the business may have taken to improve Stock Turnover. **[6 Marks]**

Explain the impact that the improvement in Stock Turnover would have on the business's Cash Cycle. **[8 Marks]**

Explain four possible negative effect of improving the business's Stock Turnover. **[11 marks]**

QUESTION 2

A four-week summary production budget for LB Ltd, on an organization which produces a single product, is as follows.

Production quantity 240,000 units

Production costs

Material 336,000 kg at \$4.10 per kg

Direct labour 216,000 hours at \$4.50 per hour

Overheads \$1,920,000

Overheads are absorbed at a predetermined direct labour hour rate.

During the four-week period the actual production was 220,000 units which incurred the following costs.

Material 313,060 kg costing \$1,245,980

Direct labour 194,920 hours costing \$886,886

Overheads \$1,934,940

Required:

- (a) Calculate the cost variances for the period. **[15 Marks]**
- (b) Give reasons why the direct labour efficiency variance may have risen. **[10 Marks]**

QUESTION 3

The valuation and depreciation of fixed assets are covered by both mandatory accounting standards and the Companies Act as sources of authority.

Required:

Identify the main accounting issues involved in the valuation and depreciation of fixed assets and discuss to what extent these are addressed in the above sources of authority. **[25 Marks]**

QUESTION 4

“Financial accounting looks behind whilst management accounting looks ahead”. To what extent does this quotation accurately reflect the role of the two branches of accounting? **[25 Marks]**

QUESTION 5

Standard Cost for Product RBT

	£
Materials (10kg x £8 per kg)	80
Labour (5hrs x £6 per hr) –	30
Variable O/Hds (5hrs x £8 per hr)	40
Fixed O/Hds (5hrs x £9 per hr)	<u>45</u>
	195

Budgeted Results

Production	10000 units
Sales	7500 units
Selling Price	£300 per unit

Actual Results

Production	8000 units
Sales	6000 units
Materials	85000 kg Cost £700000
Labour	36000 hrs Cost £330900
Variable O/Hds	£400000
Fixed O/Hds	£500000
Selling Price	£260 per unit

Required:

Calculate

- a. Material total variance [2 Marks]
- b. Material price variance [2 Marks]
- c. Material usage variance [2 Marks]
- d. Labour total variance [2 Marks]
- e. Labour rate variance [2 Marks]
- f. Labour efficiency variance [3 Marks]
- g. Variable overhead total variance and all sub- variances
- h. [3 Marks]
- i. Fixed Production overhead total Variance and all sub-variances [3 Marks]
- j. Selling price variance [3 Marks]
- k. Sales volume variance [3 Marks]

END OF EXAM

