FINBUS5

JUNE 2013 EXAMINATION

DATE: 4 JUNE 2013
TIME: 09H00 – 11H00 TOTAL: 100 MARKS
DURATION: 2 HOURS PASS MARK: 40%

(KF-00)
FINANCIAL CONTROL

THIS EXAMINATION PAPER CONSISTS OF 5 SECTIONS:

SECTION A: CONSISTS OF 10 MULTIPLE-CHOICE QUESTIONS
ANSWER ALL THE QUESTIONS (10 MARKS)

SECTION B: CONSISTS OF 2 SHORT QUESTIONS
ANSWER BOTH QUESTIONS (23 MARKS)

SECTION C: CONSISTS OF 2 LONG ANSWER QUESTIONS
ANSWER BOTH QUESTIONS (16 MARKS)

SECTION D: CONSISTS OF 2 INTERPRETATIVE QUESTIONS
ANSWER BOTH QUESTIONS (20 MARKS)

SECTION E: CONSISTS OF 2 INTERPRETATIVE QUESTIONS
ANSWER BOTH QUESTIONS (31 MARKS)

INSTRUCTIONS:
1. Read the following instructions carefully before answering the paper, as failure to act upon them will result in a loss of marks.
2. Write your answers in your answer book, which is provided in the exam.
3. Ensure that your name and student number are clearly indicated on your answer book.
4. Write your answers in either blue or black ink in your answer book.
5. Read each question very carefully before you answer it and number your answers exactly as the questions are numbered.
6. Begin with the question for which you think you will get the best marks.
7. Note the mark allocations for each question – give enough facts to earn the marks allocated. Don't waste time by giving more information than required.
8. You are welcome to use diagrams to illustrate your answers.
9. Please write neatly – we cannot mark illegible handwriting.
10. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
11. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
12. This paper may be removed from the examination hall after the examination has taken place.
SECTION A
(10 MARKS)

ANSWER ALL THE QUESTIONS

MULTIPLE-CHOICE QUESTIONS

Choose the correct option for each of the following. Write only the question number and your chosen answer. For instance, if you think that the correct answer for number 1 is (a), then write it as 1. (a).

1. Budgets as initiated by top management is referred to as:
   (a) a top down approach.
   (b) a bottom up approach.
   (c) All of the above.
   (d) None of the above.

2. Which of the following items will form part of an operating expenses budget?
   (a) sales and cost of sales
   (b) operating income and other income
   (c) profit on sale of assets
   (d) None of the above.

3. An external audit involves:
   (a) outside people.
   (b) independent people.
   (c) (a) and (b).
   (d) people on the inside of the organisation.

4. A break-even point shows:
   (a) no losses neither any profits.
   (b) a position where expenditure equals income.
   (c) a position where expenditure exceeds income.
   (d) a position where income exceeds expenditure.

5. Which one of the following is an example of a variable cost?
   (a) rentals
   (b) insurance
   (c) depreciation
   (d) the purchase of raw materials

6. Which one of the following charts shows how each part of a project relates to each other?
   (a) a Gantt chart
   (b) a Cantt chart
   (c) a Pertt chart
   (d) a Kurtt chart
7. It costs R2 000 to manufacture 20 products. R2 000 divided by 20 units equals R100. Which of the following are correct?

(a) R100 is referred to as cost per unit.
(b) 20 units is referred to as cost per unit.
(c) R2 000 is referred to as cost of sales.
(d) (a) and (c) is correct.

8. Direct material costs are:

(a) the material costs that go into manufacturing a product.
(b) the wood required to manufacture a table.
(c) the material required to manufacture a dress.
(d) All of the above.

9. Overheads are expenses such as:

(a) water, electricity and telephone.
(b) the wages of the administrative staff.
(c) the salary of the company receptionist.
(d) (a) and (b) is correct.

10. A company has five machines that need to be operated by 100 employees who also have other tasks within the production process. We can say that this company is:

(a) capital intensive.
(b) labour intensive.
(c) machine intensive.
(d) All of the above.

[10]
SECTION B: SHORT QUESTIONS (23 MARKS)

ANSWER BOTH QUESTIONS

QUESTION 1
Discuss the term 'zero budgeting'. [8]

QUESTION 2
Below is a list of the main account items in your department, extracted by your manager. Prepare a report with calculations of the expected budgeted figures for 2013, based on what was reported in 2012.

- Current fuel costs are R50 000 and are expected to increase by 12% in 2013.
- Water and electricity costs, currently R220 000, are expected to increase by 10%.
- It is expected that unions will negotiate a salary increase of around 9,5% in 2013. The 2012 wage bill was R950 000.
- Printing and stationery costs amounted to R320 000 in 2012 and is expected to increase by 6% in 2013.
- Other general expenses, amounting to R187,00 in 2012, are expected to increase by 5% in 2013. [15] [23]
SECTION C: LONG ANSWER QUESTIONS  
(16 MARKS)

ANSWER BOTH QUESTIONS

QUESTION 1
Give two advantages and two disadvantages of budgeting.  
[4 x 2 = 8]

QUESTION 2
Briefly explain the purpose of the following audits:

(a) an external audit  
(b) an internal audit  
(c) a managerial audit  

[8]

[16]
SECTION D: INTERPRETATIVE QUESTIONS  (20 MARKS)

ANSWER BOTH QUESTIONS

QUESTION 1
Refer to the graph below and answer the questions that follow:

Identify the following:

(a) the break-even point  
(b) the line that shows fixed costs  
(c) the line that shows total revenue  
(d) the line that shows total costs  
(e) the line that shows the number of units produced

OR

QUESTION 2
Draw a similar graph as above using the financial information below. Clearly label the graph.

fixed costs       R100 000
variable costs    R200 000
revenue           R800 000

Indicate the break-even point (without calculations).
SECTION E: INTERPRETATIVE QUESTIONS  
(31 MARKS)

ANSWER BOTH QUESTIONS

QUESTION 1

Identify any five areas that incur costs in a company and recommend any cost saving initiatives or any cost control measures for each area identified.  

[5 × 3 = 15]

QUESTION 2

(a) Define the term 'control'.

(4)

(b) Give four reasons why controlling is important.

(4 × 2 = 8)

(c) Name any four basic types of budgets.

(4)  

[16]

Section A: 10 marks
Section B: 23 marks
Section C: 16 marks
Section D: 20 marks
Section E: 31 marks
TOTAL: 100 MARKS