NOVEMBER 2013 EXAMINATION

DATE: 5 NOVEMBER 2013

TIME: 09H00 – 11H00 TOTAL: 100 MARKS

DURATION: 2 HOURS PASS MARK: 40%

(KF-00)

FINANCIAL CONTROL

THIS EXAMINATION PAPER CONSISTS OF 2 SECTIONS:

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

SECTION B: CONSISTS OF 5 QUESTIONS
ANSWER ALL THE QUESTIONS (90 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.

NOTE: YOU MAY USE A NON-PROGRAMMABLE CALCULATOR.
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 middle/lower management are referred to as:
   (a) a top down approach.
   (b) a bottom up approach.
   (c) All of the above.
   (d) None of the above.

2. The following will not 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) All of the above.

3. An internal audit involves:
   (a) outside people.
   (b) independent people.
   (c) Both (a) and (b).
   (d) people inside the organisation.

4. The point where expenses equal income / revenue is referred to as:
   (a) zero budgeting.
   (b) the break-even point.
   (c) Both (a) and (b) are correct.
   (d) None of the above.

5. An example of a monthly fixed cost is:
   (a) rental.
   (b) insurance.
   (c) depreciation.
   (d) purchase of raw materials.

6. A capital expenditure budget:
   (a) depicts expenditure on items such as computers, furniture and equipment.
   (b) depicts expenditure on items such as stationery, insurance, travelling and other operating costs.
   (c) depicts expenditure on both (a) and (b) above.
   (d) None of the above.
7. It costs R4 000 to manufacture 20 products. R4 000 divided by 20 units equals R200.

(a) R200 is referred to as the cost per unit.
(b) 20 units are referred to as the cost per unit.
(c) R4 000 is referred to as cost of sales.
(d) Both (a) and (c) are correct.

8. Indirect material costs are:

(a) the material costs that go into manufacturing a product.
(b) the costs of wood required to manufacture a table.
(c) the costs of material required to manufacture a dress.
(d) None of the above.

9. Operating expenses are:

(a) expenses such as water, electricity, telephone.
(b) expenses such as the wages of the administrative staff.
(c) expenses such as the salary of the company receptionist.
(d) All of the above.

10. A company has 25 machines which need to be operated by 10 employees. We can say that this company is:

(a) capital intensive.
(b) labour intensive.
(c) machine intensive.
(d) All of the above.
SECTION B  
(90 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
(a) Explain the budgeting process in detail.  (13)
(b) Describe the following types of budgets:
   i. Operating budgets  (3)
   ii. Financial budgets (3)
   iii. Revenue and expense budgets.  (3) [22]

QUESTION 2
(a) Identify the type of costs mentioned below:
   i. monthly rentals  (2)
   ii. the cost of materials used increases as more materials are used (2)
   iii. advertising costs, which vary according to the production season (2)
(b) List three aspects that are regarded as 'inefficiencies' in the production process.  (3 × 2 = 6)
(c) Explain the following terms. Supply an example of each:
   i. Gantt chart (4)
   ii. Pert / CPM network (4) [20]

QUESTION 3
(a) Business managers feel the need to have control over costs, resources and other production-related matters. Mention five aspects that could be obstacles to successful control. (5 × 2 = 10)
(b) Complete the following chart by giving an example for each cost element:

<table>
<thead>
<tr>
<th>Cost Element</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct material</td>
<td></td>
</tr>
<tr>
<td>Direct labour</td>
<td></td>
</tr>
<tr>
<td>Indirect material</td>
<td></td>
</tr>
<tr>
<td>Indirect labour</td>
<td></td>
</tr>
<tr>
<td>Overheads</td>
<td></td>
</tr>
</tbody>
</table>

(5 × 2 = 10) [20]

**QUESTION 4**

Mention five examples where you would say that staff waste resources in the production process. Make recommendations how this wastage can be avoided or improved. [5 × 3 = 15]

**QUESTION 5**

Construct an organogram depicting top, middle and lower / supervisory management. [13]

[90]

Section A: 10 marks
Section B: 90 marks
TOTAL: 100 MARKS