FINBUS5

JUNE 2012 EXAMINATION

DATE: 5 JUNE 2012

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:
(i) 5 MULTIPLE-CHOICE QUESTIONS  (5 MARKS)
(ii) 2 TRUE OR FALSE QUESTIONS  (13 MARKS)
(iii) 7 MATCHING-STATEMENT QUESTIONS  (7 MARKS)

ANSWER ALL THE QUESTIONS

SECTION B:  CONSISTS OF 5 QUESTIONS

ANSWER ALL THE QUESTIONS  (75 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.
(i) 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. Zero based budgets:
   (a) add a percentage on the previous year’s budget.
   (b) start from scratch.
   (c) are a combination of (a) and (b).
   (d) None of the above.

2. Fixed costs are incurred:
   (a) only while the business operates.
   (b) regardless of whether production takes place.
   (c) only when there are sufficient power supplies.
   (d) All of the above.

3. An advantage of budgeting is:
   (a) effective control.
   (b) facilitation of co-ordination.
   (c) Both (a) and (b).
   (d) Neither (a) nor (b).

4. A budget helps to maintain:
   (a) law and order within the organisation.
   (b) records of competitor performance.
   (c) records of organisations of similar size.
   (d) None of the above.

5. Budgets are a natural:
   (a) component to planning.
   (b) compromise to planning.
   (c) Both (a) and (b).
   (d) Neither (b) nor (b).
(ii) **TRUE OR FALSE QUESTIONS**

1. Choose whether the following are True or False. Motivate all your answers.

   (a) An operating budget normally includes labour, material, rent and machinery.

   (b) A non-monetary budget normally comprises of a time, space and productivity budgets.

   (c) A revenue and expense budget is the most uncommon type of budget.

   (d) A balance sheet budget forecasts the status of assets, liabilities and the capital account of items in the future. \((4 \times 2 = 8)\)

2. Correct the following false statement:

   Three types of costs are fixed, variable and semi-variable. They need not be accurate. Fixed costs are difficult to predict and change with volume. Variable costs are the easiest to predict and do not respond to changes in volume. Semi-variable costs, on the other hand, also move as volume changes. \( (5) \) \([13]\)

(iii) **MATCHING-STATEMENT QUESTIONS**

Various persons or groups of persons are engaged at the various stages of the budget. Match each statement below with the correct person or groups of persons.

<table>
<thead>
<tr>
<th>Step</th>
<th>Persons or groups of persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. integrate and coordinate department needs</td>
<td>(a) heads of operating unit</td>
</tr>
<tr>
<td>2. review budget requests and resolve inconsistencies</td>
<td>(b) division head</td>
</tr>
<tr>
<td>3. compile budget</td>
<td>(c) top management</td>
</tr>
<tr>
<td>4. final approval</td>
<td>(d) budget committee</td>
</tr>
<tr>
<td>5. review overall organisational budget</td>
<td>(e) controller</td>
</tr>
<tr>
<td>6. oversee entire process</td>
<td>(f) managing director</td>
</tr>
<tr>
<td>7. merge budgets</td>
<td>(g) governing body</td>
</tr>
</tbody>
</table>

\([7] \) \([25]\)
SECTION B (75 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

Employees can be a source of scrap and rectification costs. Select the five questions you will ask yourself:

(a) Do the operators follow instructions?
(b) Are operators engaged in production planning?
(c) Do they report broken tools and equipment promptly?
(d) Are the tools in use brushed and greased?
(e) Do operations fit the business?
(f) Do they always report defective parts?
(g) Do they take care not to overload machines or tools?
(h) Do they override safety instructions?
(i) Do they handle parts carefully? [5]

QUESTION 2

Various controls are applied to deal with the obstacles encountered during the production process.

(a) Explain why workers often resist control. (1)
(b) Explain what unrealistic standards are and its effect on workers. (3)
(c) Explain what is meant by 'results can be decoded'. (6)
(d) Explain how standards can be synchronised. (3)
(e) Explain what happens when managers are more concerned with meeting short-term deadlines. (4)
(f) Explain what happens when controls are exercised after the activities are completed. (2)
(g) What is meant by 'enterprises are constantly moving'? (1) [20]
**QUESTION 3**

(a) Explain what a unit is.  
(b) Why might a company trail behind its competitors in an area such as its market share?  
(c) List two other areas in which a company could trail behind its competitors.  
(d) Explain what direct materials are.  
(e) What do we classify secondary material under?  
(f) List the two categories that labour can be divided into.  
(g) Which cost elements form the overheads?  
(h) Describe the characteristics of overheads.  
(i) What happens when there are work stoppages or breakdowns? 

**QUESTION 4**

(a) Briefly explain the supervisor's role in controlling supplies and small tool costs.  
(b) To develop new ideas it is necessary to question every detail. Discuss this concept.  
(c) Why is it not advisable to use group averages to determine a fair day's work? 

**QUESTION 5**

(a) Why have numerous businesses adopted the Zero Based Budgeting approach to budgeting?  
(b) What are considered to be the disadvantages of applying the Zero Based Budget?  
(c) Describe the characteristics of a 'decision package' as contained in the discussion of Zero Based Budgeting.