



**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE**

**NMAC 503: FINANCIAL AND MANAGEMENT ACCOUNTING**

**END OF FIRST SEMESTER EXAMINATION**

**NOVEMBER 2022**

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**DURATION: 3 HOURS**

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### **INSTRUCTIONS**

You are required to answer questions as instructed

Answer **all** questions

Start **each** question on a new page in your answer booklet

Credit will be awarded for logical, systematic and neat presentations

## QUESTION ONE

The standard & actual mixes for producing 100 units of product M are as follows:

Material	Std mix		Actual mix	
	Units	cost	Units	cost
A	35	\$20	30	\$20
B	25	\$40	34	\$40
C	28	\$16	25	\$16
D	<u>12</u>	\$48	<u>11</u>	\$48
	<u>100</u>		<u>100</u>	

Required:

- a) Calculate the direct material mixed variance (15 marks)
- b) Explain the importance of standard costing and variance analysis when evaluating business performance (10 marks)

## QUESTION TWO

A project which costs \$750 000 is expected to generate the following cash inflow

Year 1	\$ 200 000
2	\$ 262 000
3	\$ 300 000
4	\$ 300 000
5	\$ 330 000

Required:

- a) Calculate the project's discounted payback assuming the cost of capital is 12% (15 marks)
- b) Calculate the project' net present value (4 marks)
- c) advice on whether to embark on the project or not, stating your reasons. (6 marks)

### QUESTION THREE

Business A and Business B are both engaged in retailing, but seem to take a different approach to this trade according to the information given below.

<i>Ratio</i>	<i>Business A</i>	<i>Business B</i>
Current ratio	2: 1	1.5: 1
Quick assets (acid test) ratio	1.7: 1	0.7: 1
Return on capital employed (ROCE)	20%	17%
Debtors' turnover	63 days	21 days
Creditors' turnover	50 days	45 days
Gross profit percentage	40%	15%
Stock turnover	52 days	25 days

- a) From the ratios shown above, comment on the performance of each business.  
(7marks)
- b) Suggest ways that could be employed by each business to improve the performance reflected by each ratio.  
(14 marks)
- c) State any **four (4)** weaknesses of ratio analysis and how they can be managed.  
(4 marks)

### QUESTION FOUR

Your company CEO heard about beyond budgeting approach at a seminar, and he wants to implement it in your organisation, but he is not sure of its advantages over traditional budgeting. Write a report to him on beyond budgeting explaining to him its merits and demerits.  
(25 marks)

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**END OF EXAMINATION**