BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF MARKETING

JUN 2024

PROGRAMME: BACHELOR OF BUSINESS STUDIES HONOURS IN MARKETING

BS231 FINANCIAL ASPECTS OF MARKETING

DURATION: 3 HOURS **EXAMINATION**

INSTRUCTIONS

1. Answer Question **One and any other three** questions.
2. Each question should begin on a new page
3. Each question carries 25 marks
4. Start answering each main question on a fresh page
5. Credit will be given for appropriate use of illustrative examples.
6. No cell phones and programmable calculators are allowed in the examination room.

QUESTION ONE (Compulsory)

Jaraz Limited produces four types of lamp- Platinum, Gold, Silver and Bronze. Unit selling prices and costs are as follows:-

Product		Platinum	Gold	Silver	Bronze
		$	$	$	$
Selling price		184	148	142	138
Costs					
	Direct materials	24	21	30	18
	Direct labour	30	27	24	27
	Overheads	30	25	20	25

Direct material and direct labour are variable costs.

Overheads are 40% variable and 60% fixed.

Jaraz's intention was to produce and sell the following quantities during the year ended 31 May 2015.

Product	Quantity
	Units
Platinum	2000
Gold	1800
Silver	1600
Bronze	1400

Required:

(a) a statement in marginal costing format, of profitability for each product, and in total. (10)

It was then discovered that fixed overheads were likely to rise by 8% and the total amount available to pay overheads could not be increased

(b) a statement, taking into account the possibility of the increase in fixed overheads, and maximizing profit, showing the quantity of each product to be produced. (8)

(c) a statement in marginal costing format of profitability for each product and in total, based on your answer (b) (7)

[25 Marks]

QUESTION TWO

Mockleen Plc makes 3 types of filing cabinet; four- drawer, three- drawer and two- drawer. The business uses general purpose machines which are equally suitable to be used in the manufacture of all three products.

Date for the year ended 30 April 2005 was as follows.

	Four drawer	Three drawer	Two drawer
	$	$	$
Total sales	410 400	123 900	427 500
Total variable costs	304 000	88 500	285 000
Allocated fixed costs	98 000	48 000	135 000
Profit (Loss)	8 400	(12 600)	7 500

It has been proposed that the three- drawer cabinet be discontinued, as it is making a loss.

Required:

(a) State whether this proposal should have been agreed, giving your reasons. (5)

Sales and cost data for the year ended 30 April 2006 were as follows:-

	Four drawer	Three drawer	Two drawer
Sales in units	15 000	6 000	30 000
Raw materials	$12	$8	$4
Variable overheads	$3	$2	$2
Unit contribution	$7	$6	$5
Machine hours per unit	0.5	0.5	0.4
Machine operators are paid $10 per hour			
Allocation of fixed costs	$98 000	$48 000	$735 000

(b) Calculate the selling price per unit for each product (3)

(c) Calculate for each product the break- even point in both units and sales value (6)

(d) Calculate for each product the profit or loss for the year ended 30 April 2006. (6)

To try to improve profits for the year ending 30 April 2007, it has been suggested that a better quality more easily worked, raw material to be purchased. This would increase the cost of raw materials by five percent (5%) but would offer savings of ten percent (10%) on labour. Sales and other costs would remain unchanged.

(e) Calculate for each product and in total profit or loss if this suggestion is out into effect.(5)

[25 Marks]

QUESTION THREE

Hazvy Paty buys and sells a single product. His first three months of trading showed the following purchases and sales.

2015	Purchases	Sales
February	300 @ $25 per unit	150 @ $35 per unit
March	120 @$27 per unit	210 @ $38 per unit
April	240 @ $29 per unit	205 @ $41 per unit

For the following requirements either perpetual or periodic inventory may be used. Calculations should be taken to a maximum of two decimal places.

Required:

(a) Calculate Hazvy's closing stock at 30 April 2005 using the FIFO (First in First out) method of stock valuation. (5)

(b) Calculate Hazvy's closing stock at 30 April 2005 using the LIFO (last in first out) method of stock valuation. (2)

(c) Calculate Hazvy's closing stock at 30 April 2005 using the AVCO (weighted average cost) method of stock valuation) (2)

(d) Calculate Hazvy's gross profit using each method of the above methods of stock valuation. (6)

Hazvy Paty's statement of financial position at 30 April 2006 and 2007 were as follows

		30 April 2006			30 April 2007	
	$	$	$	$	$	$
Fixed assets						
(net book value)						
Premises			100 000			100 000
Equipment			75 000			56 500
			175 000			156 500
Current assets						
Stock	7 500			6 800		
Debtors	10 800			8 900		
Bank	2 000			-		
Cash	400	20 700		400	16 100	
Current liabilities						
Creditors	6 200			7 300		
Bank	-			1 200		
		6 200			8 500	
Net current assets			14 500			7 600
			189 500			164 100
Capital at 1 May 2006			120 000			189 500
Net profit (loss)			83 500			(11 400)
			203 500			178 100
Less drawings			14 000			14 000
			189 500			164 100

(e) For the year, calculate to a maximum of two decimal places:-

i) The current ratio; (2)

ii) The liquid ratio (2)

(f) From your calculations in (e) and the statement of financial position given in the question discuss briefly Hazvy Paty's financial status on 30 April 2007 compared to 30 April 2006.

(6)

[25 Marks]

QUESTION FOUR

Alfred Ltd makes altimeters that it sells at $80 each. It has received orders for:

i) 1000 altimeters for which the buyer is prepared to pay $60 per altimeter

ii) 2000 altimeters at $48 each

The following information is available

	$
Direct material per altimeter	21
Direct labour per altimeter	32

Fixed expenses will not be affected by the additional production.

Required:

(a) State whether Alfred Ltd should accept either of the orders. (10)

(b) State and explain marketing factors that Alfred Ltd should take into consideration (15)

[25 Marks]

QUESTION FIVE

Paida Ltd is considering buying a machine and has three options, machine A, B or C one of which it will buy. Each machine costs $135 000 ad will have a five-year life with no residual value at the end of that time.

The net receipts for each machine over the five- year period are as follows.

	Machine A	Machine B	Machine C
	$	$	$
Year 1	50 000	38 000	26 000
2	50 000	38 000	26 000
3	38 000	38 000	38 000

4	26 000	38 000	50 000
5	26 000	38 000	50 000

Paida Ltd's cost of capital is 12%.

The discounting factors at 12% are: year 1; 0.893, year 2; 0.797, year 3; 0. 712, year 4; 0.636 and year 5; 0.567.

Required:

Calculate the net present value for each option and state which machine Paida Ltd should choose.

[25 Marks]

QUESTION SIX

The managers of Tselentis have costed the manufacture of two styles of slipper- the 'Comfy' and the 'Warmy'. However, only one type can be manufactured. They provide the following information for the production of one pair of slippers.

	Comfy $	Warmy $
Direct materials	6	5
Direct labour	3	2
Variable costs	4	4
Fixed costs	7	7
Selling price	28	25

Required:

a) Advise the managers of Tselentis which type of slipper should be manufactured. (15)

b) Identify and explain other marketing factors that management should take into consideration in making the decision.

(10)

[25 Marks]

END OF PAPER

EX0024B