



(NBAA)
NATIONAL BOARD OF
ACCOUNTANTS AND AUDITORS
TANZANIA

QUESTION PAPER

FOR

INTERMEDIATE LEVEL EXAMINATION

NOVEMBER 2023

EXAMINATION CODE NUMBER: B5

Time allowed: *Three hours*

Instructions on the number of questions to be answered are stated on the first page of the question paper and are to be carefully complied with.

- (vii) Specialized brick making equipment, purchased by the company three years ago would have to be used. Although this equipment has a remaining useful life of two years, it is unlikely that it would be used on any other contract. Its disposal value is TZS.16,000,000 but is estimated at zero in a year's time.
- (viii) Kidulile will assign one head of department and one site supervisor to oversee the production on a full time basis. These will continue to receive their usual salaries during the entire period of the contract at a rate of TZS.3,500,000 and TZS.2,000,000 per month respectively during the 30 months of the contract. In addition to this, they will also be entitled to a special weekly allowance of TZS.500,000 and TZS.300,000 respectively for each of the 120 weeks of the project.

REQUIRED:

Calculate the minimum bid which Kidulile Ltd could make for the contract and state any two factors that would determine the amount of mark-up that the company can put on the bid. (12 marks)

- (b) Explain the "difference between "uncertainty" and "risk" as used in decision theory", clearly indicating the decision-making approaches suitable under each. (8 marks)
- (Total: 20 marks)

QUESTION 3

Azori Limited produces Mama Lishe, a product used in bakery products. The actual and budgeted quantities (in kgs) of materials required to produce Mama Lishe and budgeted prices of materials in August 2023 are as follows:

Material	Actual quantity (kg)	Budgeted Quantity (kg)	Budgeted Price (TZS.)
E	24,080	25,200	200
P	15,480	16,800	450
B	36,120	33,600	150
T	10,320	8,400	300

REQUIRED:

- (a) Calculate the total material efficiency variance for August 2023. (5 marks)
- (b) Calculate the total material yield and mix variance for August 2023. (10 marks)
- (c) What conclusion would you draw from the variance analysis? (5 marks)
- (Total: 20 marks)

SECTION B

There are **FIVE** questions. Answer **ANY FOUR** questions

QUESTION 2

- (a) Kidulile Ltd has been asked to submit a bid for building a special purpose workshop for Karakana Ltd. It has been estimated that the construction of the factory will require:

1. 20 tonnes of material A
2. 100 tonnes of material B
3. 50 tonnes of material C
4. 8 tonnes of material D
5. 192,000 direct labour hours
6. The use of special equipment

The following information is also available:

- (i) The company has adequate stocks in hand of material A and this material is used for many purposes by the company. Existing stocks were bought for TZS.8,000,000 per tonne but presently the material can be replaced at TZS.9,000,000 per tonne.
- (ii) The company presently has a stock of 100 tonnes of material B on hand. Although it originally cost TZS.1,000,000 per tonne and would cost TZS.1,200,000 per tonne now, if not used on this contract it will have to be sold for TZS.500,000 per tonne.
- (iii) The company also has a stock of 50 tonnes of material C on hand. This material originally cost TZS.2,000,000 per tonne but would cost TZS.3,500,000 per tonne now. If not used on this contract, it could be used immediately on another contract in place of material E. This material would otherwise have to be bought at TZS.2,500,000 per tonne.
- (iv) The company has no stock of material D on hand; its present purchase price is TZS.3,000,000 per tonne.
- (v) The wage rate is TZS.4,000 per hour. On average, because of weather conditions, employees work 80% of the time for which they are paid. There are enough idle hours to accomplish this job for the 120 weeks during which the construction will be done. If the contract is not undertaken, 40 direct labour employees would have been redundant, in which case the company would have to pay each of them TZS.4,000. Each employee works 40 hours a week.
- (vi) Special handling equipment would have to be hired for TZS.10,000,000.

SECTION A
Compulsory Question

QUESTION 1

Dakau Company has gathered the following information for budgeting of the quarter ending 31st March 2024:

Item	TZS.
Sales	270,000,000
Purchases	225,000,000
Salaries and Wages	97,000,000
Rent	5,000,000
Supplies	4,000,000
Insurance	1,000,000
Other cash expenses	6,000,000

A cash balance of TZS.18,000,000 is planned for 31st December 2023. Accounts receivable are expected to be TZS.30,000,000 on 31st December 2023. All but 0.5% of the receivable balance on 31st December 2023 will be collected in the quarter ending 31st March 2024. The company's sales collection pattern indicates that 95% of sales are collected in the quarter of sales and 5% in the quarter following the quarter of sales. Accounts payable will be TZS.15,000,000 on 31st December 2023 and will be paid during the quarter to 31st March 2024. The company's purchases payment pattern is such that 75% are paid for in the quarter of purchase and the remaining amount in the quarter after purchase. Expenses are paid in the quarter in which they are incurred.

REQUIRED:

- (a) Prepare a cash budget for the quarter ending 31st March 2024. (10 marks)
- (b) Alice, the Director of Finance, suggests that you should consider breaking down the cash budget to show monthly payments and receipts projections. Comment on the usefulness of cash budget and the relevance of the breakdown suggested by Alice. (6 marks)
- (c) Alice further suggests that Just in Time (JIT) could improve the cash flows of the business. Evaluate the relevance of JIT on cash budgeting. (4 marks)
- (Total: 20 marks)**

QUESTION 4

HQ Bank is one of the most popular banks in the country. The bank's vision is to be the leading and most innovative financial solutions provider in Tanzania, recognized for excellence in customer service, technological advancement, and contributing to the socio-economic development of the country. The bank has been facing challenges in achieving its strategic objectives and aligning its operations with its long-term goals due to intense competition from local and foreign banks; as a result of banking sector reforms since 1991 by dismantling state ownership and allowing foreign banks entry into the banking sector. Recently, the bank management implemented the Balanced Scorecard (BSC) framework to help address these issues.

Extracts from HQ's Bank's Balanced Scorecard (BSC) are shown below:
Performance Perspective

	2022	2022
	Actual	Target
Financial Perspective		
Return on Investment (ROI)	14%	15%
Interest income (TZS)	750million	700million
Net interest margin (%)	24%	25%
Customer perspective		
Number of first-time homebuyers given a mortgage by HQ Bank	96,000	90,000
Number of complaints (per 1,000 customers)	1.8	2.5
Internal processes perspective		
A number of business processes within the HQ Bank re-engineered and simplified	120	110
Number of new services made available through mobile banking	2	5
Incidences of fraud on customers' accounts or credit card (per 1,000 customers)	5	15
Learning and growth perspective		
Number of colleagues trained to provide advice to SMEs	1,200	1,300
Number of hours (paid for by HQ Bank) used to support community projects	800,000	750,000
Number of community organizations supported (either through funding or by volunteers from the HQ Bank)	8,500	8,000

REQUIRED:

- As a Management Accountant of the HQ Bank explain the concept of the "Balanced Scorecard". (4 marks)
- Explain why the balanced scorecard approach to performance measurement is more useful to measure performance for HQ Bank than a traditional approach using solely financial performance measures. (8 marks)
- Using all of the information provided, including HQ Bank's vision and values, discuss the performance of HQ Bank in 2022.

Note: Use each of the four headings of the balanced scorecard to structure your discussion. (8 marks)
(Total: 20 marks)

QUESTION 5

- (a) The Managing Director (MD) of Geita Products has recently read an article about management accounting, which stated that 'understanding cost classifications and cost behaviour is essential to interpreting a management accounting information'. He has asked you to prepare a briefing note for distribution to the management team on the subject of cost classifications and cost behaviour.

REQUIRED:

Describe the main classifications of cost (Direct and Indirect, Product and Period Relevant and irrelevant, including examples to illustrate your answer. (6 marks)

- (b) Gikaro sounds Ltd produces two types of music systems, Amshaamsha and Tulivu. You are able to ascertain the following data:

Activity data:

Usage measures	Tulivu	Amshaamsha	Total
Units produced per year	5,000	50,000	55,000
Prime costs (TZS.)	39,000,000	369,000,000	408,000,000
Direct labour hours	5,000	45,000	50,000
Machine hours	10,000	90,000	100,000
Production runs	10	5	15
Number of material movements	120	60	180

Activity cost (overheads) data:

Activity	Cost (TZS)
Setups	60,000,000
Materials handling	30,000,000
Power	50,000,000
Testing	40,000,000
Total	180,000,000

REQUIRED:

- (i) Calculate the unit cost of each product using Machine hours as an overhead absorption basis. (6 marks)
- (ii) Calculate the unit cost of each product using the Activity Based Costing (ABC). (8 marks)
(Total: 20 marks)

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