



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

MAY - JULY 2015 TRIMESTER

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF DEVELOPMENT STUDIES

REGULAR PROGRAMME

SDS 408: FINANCIAL ACCOUNTING TECHNIQUES

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Date: JULY 2015

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) The fixed costs incurred by Alliance Ltd per annum are Sh 10,000,000. The variable cost per unit is Sh 440 where the selling price per unit is Sh 940.

Required:

- i Calculate the contribution margin **(1 mark)**
- ii What is the breakeven point in units and shillings of sales. **(3 marks)**
- iii Calculate the profits if the following number of units are produced and sold
 - a) 1, 300,000 units **(2 marks)**
 - b) 2, 100,000 units **(2 marks)**
 - c) 700,000 units **(2 marks)**
- iv Calculate the number of units to be produced and sold to earn the following profits
 - a) Sh 2, 900, 000 **(2 marks)**
 - b) Sh 4, 400,000 **(2 marks)**
 - c) Sh 950,000 **(2 marks)**
- b) Distinguish between the following
 - i Management accounting and financial accounting. **(6 marks)**
 - ii Relevant costs and irrelevant costs **(4 marks)**

iii Production cost statement and cost statement. **(4 marks)**

Q2. a) The following information is available from the books of Mamlaka Ltd for the month of March 2015

Stock on March 1 st 2013	Sh
Raw materials	660,000
Finished goods	480,000
Work in progress	550,000
Stock on march 31 st 2013	
Raw materials	400,000
Finished goods	510,000
Work in progress	530,000
Purchase of raw materials	3,200,000
Returns of raw materials	80,000
Carriage inwards	110,000
Direct wages	860,000
Salaries	490,000
Rent	320,000
Factory power	180,000
General office expenses	140,000
Delivery costs	230,000
Sales	8,400,000
Sales returns	270,000

- i Salaries are to be apportioned to factory administration and selling in the ratio 3:1:3
- ii Rent is to be apportioned to factory administration and selling in the ratio 2:1:1
- iii Prepaid direct wages amount to Sh 30,000

Required:

- i A cost statement. **(8 marks)**
 - ii A profit statement **(6 marks)**
- b) What is the difference between manufacturing cost and non-manufacturing costs **(6 marks)**

- Q3. a) Ms Carol has three decision alternatives each of which can be followed by any of the three possible events. The conditional pay offs (in Sh) for each action every combination are given below.

	States S1	Of nature S2	S3
Alternatives			
A1	1,400,000	-120,000	850,000
A2	-160,000	1,200,000	320,000
A3	960,000	715,000	-290,000

Required

Determine which alternative should be chosen if the following methods are adopted.

- i Maximax criterion **(3 marks)**
- ii Maximin criterion **(3 marks)**
- iii Laplace criterion **(4 marks)**
- iv Hurwicz criterion **(4 marks)**

NB coefficient of optimism is 0.7

- b) What are the benefits of a cash flow statement? **(6 marks)**

- Q4. The trial balance balance of Maji Ltd for the year ended 31st /12/2013 is as follows:

	Dr Sh '000'	Cr Sh '000'
Plant and machinery (at cost)	8,080	
Motor vehicles	5,200	
Purchases/sales	53,640	78,200
Stock 1/1/2013	7,300	
Discounts	3,960	1,200
Carriage inwards	1,180	
Carriage outwards	2,860	
Debtors/creditors	10,200	3,200
Bank		4,040
Rent	1,600	
Electricity	950	
Provision for depreciation 1/1/2013		
Plant and machinery		3,050
Motor vehicles		2,060

Advertising	770	
Bad debts	1,900	
Returns	700	
Salaries and wages	3,650	
Insurance	840	
Salesmen's commission	610	
Interim dividends paid	640	
Share capital (Sh 10 per value)		4,000
Profit and loss account balance 1/1/2013		2,410
Share premium account		2,500
Revenue reserves		2,260
	<u>104,080</u>	<u>104,080</u>

Additional information

- i Stock as at 31/12/2013 amount is Sh 4,200,000
- ii Accrual and prepayments are as follows

	Accruals (Sh)	Prepayments (Sh)
Salaries and wages	80,000	
Rent		125,000
Insurance		105,000
Auditors remuneration	190,000	

- iii Provision for bad and doubtful debts is to be maintained at 4.5% of the debtors.
- iv Corporation tax to be charged at 30% on reported profit for the year.
- v Transfer to revenue reserves Sh 80,000
- vi A final dividend of Sh 0.1 per shares proposed
- viii Depreciation is charged as follows:
 - Plant and machinery 16% pa on cost
 - Motor vehicles 12% per annum using the reducing balance method

Required:

 - i Income statement **(12 marks)**
 - ii Statement of financial position **(8 marks)**

- Q5. a) Jaza Ltd produces two products A and B. The two types of materials used to manufacture these products are X and Y. The following information is provided for the month of June 2014

Budgeted product	Sales	Price (sh)
A	60,000	150
B	85,000	220

Materials usage:

Quantity used

Material	Unit cost (Sh)	Product A	Product B
X	20	1	3
Y	25	2	6

Stock units	Opening stock	Closing stock
Material X	4,500	2,600
Material Y	3,000	1,900
Product A	5,000	7,200
Product B	6,700	3,100

The standard direct labor cost per hour is Sh 120. 1 unit of product A requires 5 hours while 1 unit of product B required 8 hours.

Required to prepare:

- i Sales budget **(2 marks)**
 - ii Production budget **(3 marks)**
 - iii Direct materials usage budget **(3 marks)**
 - iv Direct materials purchase budget **(4 marks)**
 - v Direct labor budget **(4 marks)**
- b) What are the limitations of budgeting. **(4 marks)**

END