



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

Faculty of Business & Social Studies

DEPARTMENT OF LIBERAL STUDIES, COMMUNITY DEVELOPMENT &
COUNSELING

DIPLOMA IN COMMUNITY DEVELOPMENT & COUNSELLING

(DCDC J08)

PROJECT BUDGETING AND COST CONTROL (PBCC)

END OF SEMESTER EXAMS

SERIES: APRIL/MAY 2010.

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. The paper consists of **TWO** Sections **A** and **B**.
 - Answer **ALL** questions in Section **A**
 - Answer **TWO** questions in Section **B**
2. All your answers must be written on the answer sheets provided.
3. Follow the examination rules.

SECTION A

Answer **ALL** questions – 30 marks (Compulsory).

- Q.1 (a) Explain the **TWO** investments decisions the finance manager may make in an organization. (4 marks)
- (b) (i) What is the difference between quasi equity and Equity Capital. (4 marks)
- (ii) Explain the **FOUR** classification of Preference shares. (8 marks)
- (c) Explain the Elements of costs. (6 marks)
- (d) Outline any **FOUR** budgeting advantages that accrue to an organization. (8 marks)

SECTION B

Answer any **TWO** questions from this Section.

- Q.2 The following information is available from the books of Ideal Manufacturers Company Ltd:-

	Shs.
Stocks on January 1, 19-7:	
Raw Material	25,000
Work in Progress	38,000
Finished goods	42,000
Stocks on December 31, 19-7:	
Raw Material	30,000
Work in Progress	32,000
Finished goods	45,000
Purchases of Raw Materials	280,000
Carriage Inwards	7,000
Returns of Raw Materials	13,000
Direct Wages	80,000
Salaries (40% factory, 30% office, 30% salesmen)	60,000
Rent (30% factory, 30% office, 40% warehouse)	40,000
Factory Power	15,000
Factory Expenses	20,000
Administrative Expenses	12,000
Selling & Distribution Expenses	18,000
Sales	650,000

Required:

Production Cost Statement
Profit Statement

(20 marks)

Q.3 The following information was extracted from the books of Maendeleo Women's group for the year 1988.

Month	Sales (Shs.)	Purchases (Shs.)
April	150,000	100,000
May	160,000	110,000
June	160,000	90,000
July	170,000	90,000
August	200,000	80,000
September	200,000	130,000
October	180,000	140,000
November	180,000	60,000
December	200,000	60,000

The following additional information is available:-

- (a) Cash in hand at the end 1988 will be shs.180,000
- (b) 60% of the sales proceeds are received in the current month, 30% in the following month and the balance is received two months after sale.
- (c) Suppliers are paid one month after delivery of goods.
- (d) Corporation tax for 1987 amounting to shs.20,000 will be paid in 30th September 1988.
- (e) The contribution retention monies amounting to shs.50,000 will be paid on 30th June, 1988.
- (f) The shareholders at their last Extraordinary General Meeting increased the share capital by shs.70,000 and the first call of shs.40,000 will be received in October, 1988.
- (g) In October, 1988, the Company is due to receive shs.20,000 as compensation for a Civil Suit.
- (h) Monthly administration expenses amounting to sh.33,000 include factory depreciation charge of shs.4,000 and preliminary expenses of shs.3,000.
- (i) Office equipment worth shs.13,000 will be paid for in November 1988.

Required:

Prepare a Cash budget for the period 1st June to 31st December, 1988. (20 marks)

Q.4 (a) Explain any **FIVE** determinants of working capital. (10 marks)

(b) Outline any **FIVE** characteristics of a good investment evaluation criterion. (10 marks)

Q.5 A project will cost shs.400,000. Its stream of earnings before depreciation, interest and taxes (EBDIT) during first year through five years is expected to be shs.100,000, shs.120,000, shs.140,000, shs.160,000 and shs.200,000. Assuming a 50% tax rate and depreciation of a straight line basis, compute the project's Accounting Rate of Return (ARR) and comment on whether it should be accepted or not. (20 marks)