



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. You may use Calculators. DO NOT USE MOBILE PHONES.
3. Follow the examination rules.

SECTION A

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

Q.1 (a) The following cost of sales statement is available for Maendeleo CBO.

Cost of Sales Statement

For the year ended 31st Dec. 2008

1.	Opening Raw Material Inventory	7.6
2.	Purchases	45.6
3.	Closing Raw Material Inventory	9.2
4.	Raw Material Consumed	44.0
5.	Wages & Salaries	15.3
6.	Other manufacturing expenses	5.8
7.	Depreciation	2.6
8.	Total Cost	67.7
9.	Opening WIP inventory	3.1
10.	cost of production	4.6
11.	Cost of production	66.2
12.	Opening finished goods inventory	3.6
13.	Closing finished goods inventory	2.9
14.	Cost of goods sold (COGS)	66.9
15.	Selling, administration and other expenses	2.1
16.	cost of Sales	69.0

The following are additional data available.

(i)	Sales	82.7
(ii)	Profit Before Interest & Tax (PBIT)	13.7
(iii)	Debtors: Opening	14.9
	Closing	20.5
(iv)	Creditors: Opening	8.0
	Closing	12.0

Required:-

- | | | |
|-------|----------------------------------|------------|
| (i) | Calculate the operating cycle. | (10 marks) |
| (ii) | Calculate Net Operating cycle. | (5 marks) |
| (iii) | Calculate Cash Conversion cycle. | (5 marks) |

(b) Explain the following as used in costing:-

- (i) Cost
- (ii) Cost units
- (iii) Cost centre
- (iv) Profit centre
- (v) Cost behavior

(10 marks)

Q.2 The following information is extracted from the books of XYZ Company for the year ending 31st December, 2000:-

	Shs.
Opening Stocks:	
Raw Materials	17,500
Finished Products	12,500
Closing stocks:	
Raw Material	14,000
Finished Products	22,500
Salaries:	
Sales department	170,000
Office & General dept.	55,000
Purchases of Raw Materials	210,000
Carriage:	
Inwards	2,500
Outwards	4,000
Power & Light:	
Factory	4,000
Office & General	1,000
Direct wages	70,000
Sales	680,000

Required:

Prepare a statement to show:

- (i) Cost of raw material used
- (ii) Cost of Goods Manufactured
- (iii) Cost of Goods Sold
- (iv) Profit or loss made during the year.

(20 marks)

- Q.3 (a) Highlight any **FIVE** functions of a budget officer. (10 marks)
- (b) XYZ Ltd. manufactures two types of products. Budgeted sales of these products, known as **K** and **L** for 1989 are:-

Product	Quantity	Price (shs)
K	6000 units	120
L	8000 units	80

Stocks of these products were as under:-

Product	Opening Stock	Closing Stock
K	1,000	500
L	800	1,800

Required:

- (a) Prepare Sales budget
- (b) Prepared production budget. (10 marks)
- Q.4 (a) Explain the functions of financial management. (10 marks)
- (b) Explain any **FIVE** types of Internal finance. (10 marks)
- Q.5 (a) Explain any **FIVE** reasons why Investment decisions require special attention. (10 marks)
- (b) Development Ltd. wants to invest on Project X. The project costs \$2,500 now and is expected to generate year end cash inflows of \$900, \$800, \$700, \$600 and \$500 in years 1 through 5. The opportunity cost of capital may be assumed to be 10%. Using the Net Present Value method, advise Development Ltd. on the viability of the project X. (10 marks)