TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of Accounting & Finance

UNIVERSITY EXAMINATION FOR:

BACHELOR OF SHIPPING AND MARITIME MANAGEMENT

BSM 4402: SHIP ACCOUNTING AND SHIP FINANCE

END OF SEMESTER EXAMINATION

SERIES:AUGUST 2024

TIME: 2 HOURS

DATE: Pick DateAug 2024

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other TWO questions.

Do not write on the question paper.

Question One (Compulsory)

a) Shipping business is very unique and thus distinct from other kind of businesses. With this in mind, discuss the various key components of shipping costs. **(10Mrk)**

b) The following trial balance was extracted from the books of Miombo ltd, a shipping company operating at the Kenya Ports Authority.

Details	Amount KES (Dr)	Amount KES (Cr)
Opening Stock (1st January, 2023)	86,000	
Purchases	1,136,000	
Salaries	153,000	
Wages	18,000	
Carriages Inwards	26,900	
Return Inwards	40,000	
Return Outwards	24,000	
Carriage Outwards	52,500	
Rent received		178,300

Rent Paid	120,000	
Cash	62,500	
Capital		464,700
Bank Overdraft		37,980
Commission	42,780	
Creditors		268,000
Sales		1,548,700
Debtors	256,000	
Machinery	480,000	
Totals	**2,497,680**	**2,497,680**

The following information is also available

1. A machine purchased from ABC ltd on credit amounting to KES 200,000 had not been recorded in the books
2. Wages to the extent of KES 13,000 had incorrectly been captured in the salaries account.
3. Stock on 31st December 2023 was KES 560,000
4. Director's drawings for the year amounted to KES 48,000

Required

i. Draw up journals to incorporate the given adjustments **(5Mrks)**

ii. Draw the statement of comprehensive income for Miombo ltd for the period ended 31st December 2023 **(8Mrsk)**

iii. Draw the statement of financial position for Miombo ltd as at 31st December 2023 **(7Mrks)**

Question Two

c) Outline the uses of cashflow statements **(5Mrks)**

d) The following balance sheet was extracted from the ABC Ltd, a shipping company in Kenya.

ABC Ltd							
Statement of Financial Position as at 31st December 2023							
31/12/2023					**31/12/2022**		
Details	**KES ("000"**	**KES ("000"**	**KES ("000"**		**KES ("000"**	**KES ("000"**	**KES ("000"**
Fixed Assets							
Equipment at cost		28,500				26,100	
Less Depreciation		(11,450)				(13,010)	
			17,050				**13,090**
Current Assets							
Stock		18,570				16,250	
Debtors	8,470				14,190		
Less Bad debts provision	(420)				(800)		
		8050				13,390	
Cash and bank balance		4060				3,700	

		30,680			33,340	
Less Current Liabilities						
Creditors		(4,140)			(5,730)	
Net Current Assets			**26,540**			**27,610**
			43,590			**40,700**
Loan From Adams			(10,000)			(4,000)
			33,590			**36,700**
Financed by						
Capital						
Opening balances b/d			35,760			33,590
Add Net profit			10,240			11,070
Add Cash injected			0			600
			46,000			**45,260**
Less Directors Drawings			(12,410)			(8,560)
			33,590			**36,700**

Additional Information

1. All figures are in "000"
2. Equipment with a book value of KES 1,350 was sold for KES 900. Depreciation written off for equipment during the year was KES 2,610.

Required

Draw the cashflow statement for ABC ltd for the year ended 31st December 2023 **(15Mrks)**

Question Three

a) Financing a shipping business, just like any other business involves securing the necessary funds to start, run, or expand the business. With this in mind, discuss the various sources of finance for shipping businesses. **(12Mrks)**

b) Discuss the factors to consider when looking for finances for shipping business ventures **(8Mrks)**

Question Four

The following is the cashbook and the bank statement for Mavitu Shipping Ltd as at 31st July 2024

The Cashbook					
Date	**Details**	**Amount (KES)**	**Date**	**Details**	**Amount (KES)**
July 1	Balance b/f	7,835	July 6	Check 786	3,550
July 5	Deposit	6,320	July 12	Check 787	2,670
July 9	Deposit	1,450	July 16	Check 788	1,235
July 14	Deposit	2,540	July 17	Check 789	5,890
July 18	Deposit	360	July 23	Check 790	4,440
July 26	Deposit	3,210	July 27	Check 791	920

July 30	Deposit	1,810	July 29	Check 792	840
July 31	Deposit	2,220			

Bank Statement				
		Dr	CR	Running balance
Date	Details	KES	KES	KES
July 1	Balance b/f			7,835
July 5	Deposit		6,320	14,155
July 8	Check 786	3,550		10,605
July 9	Deposit		1,450	12,055
July 14	Deposit		2,540	14,595
July 15	Check 787	2,670		11,925
July 16	Check 788	1,235		10,690
July 17	Unpaid Checks	2,540		8,150
July 18	Deposit		360	8,510
July 24	Check 790	4,440		4,070
July 26	Deposit		3,210	7,280
July 28	Deposit		5,000	12,280
July 29	Check 792	840		11,440
July 30	Standing order payment for rent	1,500		9,940
July 31	Bank charges	70		9,870

Required

Write the cashbook up to date with the information in the bank statement and finally draw the bank reconciliation statement as at 31st July 2024 **(20Mrks)**

Question Five

a) Discuss the steps involved in developing a bank lending policy tailored for the shipping business **(10Mrks)**

b) Ship leasing is a financing option which offers flexibility and financial benefits to shipping companies. With this in mind, discuss the various types of ship leasing available in the maritime industry **(10Mrks)**