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

SPECIAL/SUPPLEMENTARY EXAMINATION

SERIES: November 2024

TIME: 2 HOURS

DATE: Pick DateNov 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) Understanding and managing the various costs associated with the Shipping business is very crucial for the posterity of the maritime ventures. With this in mind, discuss four port charges, four crew costs and four voyage costs. **(12Mrk)**

b) Define the Imprest system of maintaining a petty cashbook **(2Mrks)**

c) The following information relates to Awendo Shipping Ltd; you are required to rule up a petty cashbook with analysis column for office expenses, voyage cost, Port charges, and crew expenses. The amount spent is to be reimbursed on 30th Nov - 2024 **(16Mrks)**

2024	1st November Balance b/f	KES 8,000,000
ʼʼ	1st November Maina- crew member allowance	KES 180,000
ʼʼ	2nd November Printing papers	KES 17,500
,,	7th November Abel motors- ship repairs	KES 400,000

,,	9th November Envelops	KES 5,000
,,	10th November Ship Fuel	KES 2,100,000
,,	12th November Mwacharo- crew member allowance	KES 190,000
,,	13th November Kipruto- crew member allowance	KES 150,000
,,	15th November KPA-Port charges-Towage fees	KES 300,000
,,	15th November Ship fuel	KES 750,000
,,	18th November Paper clips	KES 3,000
ʻʻ	18th November KPA-Port Charges-Port security	KES 370,000
ʻʻ	25th November Cargo Insurance	KES 450,000
,,	25th November Weather routing charges	KES 250,000
ʻʻ	25th November Uniform for crew members	KES 350,000
,,	26th November crew communication costs	KES 200,000
,,	30th November KPA-Port Charges-Docking fees	KES 600,000
,,	30th November KPA-Port Charges-Cargo handling fees	KES 460,000

Question Two

a) You are the accountant of XYZ shipping company. The bookkeeper extracted the year end trial balance and it is as shown below.

XYZ Shipping Company
Trial Balance as at 31st October 2024

Details	**Amount (KES '000')**	**Amount (KES '000')**
Capital		49,675
Drawings	28,600	
Cash at bank	4,420	
Cash in hand	112	
Debtors	38,100	
Creditors		26,300
Opening stock	72,410	
Van	5,650	
Office equipment	7,470	
Sales		391,400
Purchases	254,810	
Returns inwards	2,110	
Carriage inwards	760	
Returns outwards		1,240
Carriage outwards	2,850	
Motor expenses	1,490	
Rent	8,200	

Telephone charges	680	
Wages and salaries	39,600	
Insurance	745	
Office expenses	392	
Sundry expenses	216	
	468,615	**468,615**

Additional information

- **i.** All figures are in '000'
- **ii.** Closing stock was 89,404.
- **iii.** KES 400 for office expenses had been wrongly booked into the salaries and wages account
- **iv.** KES 300 which had been received in form of cash was wrongly booked into the bank account
- **v.** KES 200 for sundry expenses had been booked in the rent account

Required:

1. Make the necessary adjustments to incorporate the changes **(5Mrks)**
2. Draw the Statement of Comprehensive Income **(8 Marks)**
3. Draw the Statement of Financial Position **(7 Marks)**

Question Three

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

b) 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 Four

a) 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)**

b) Giving examples, discuss the components of ship capital costs **(10Mrks)**

Question Five

a) Shipyard credit enables shipowners to manage large capital expenditures and maintain competitive fleets. However, care must be given so as to ensure that the financing arrangement supports the company's long-term financial health. With this in mind, discuss the consideration for shipyard credit **(8Mrks)**

b) ABC Ltd, a shipping company plans to build a new vessel costing KES 100 billion. The shipyard offers a shipyard credit covering 80% of the cost at an annual interest rate of 5% with a repayment term of 10 years.

Required

i. Determine the annual interest amount to be paid by ABC Ltd **(3Mrks)**
ii. Determine the annual principal amount to be paid by ABC Ltd (assuming straight-line repayment over 10 years) **(3Mrks)**
iii. Determine the total annual repayment amount **(3Mrks)**

iv. Determine the total amount that ABC Ltd will have paid at the end of the ten-year period **(3Mrks)**