

UGANDA MARTYRS UNIVERSITY

FACULTY OF SCIENCE

DEPARTMENT OF MATHEMATICS/ STATISTICS

UNIVERSITY EXAMINATIONS

SEMESTER I, 2013/14

SECOND YEAR EXAMINATIONS FOR BACHELOR OF SCIENCE

(FM)

MANAGEMENT ACCOUNTING

DATE: 17TH DECEMBER 2013

TIME: 2:00 – 5:00 PM

Instructions:

- i) Attempt any (4) four questions.
 - ii) All questions carry equal marks.
 - iii) Do not write on this question paper.
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PTO

1)

- a) calculate the current ratio, acid test ratio cash in hand shs 3,000 ,cash at bank shs 65,000, bills receivables shs 10,000, stock shs 120,000, debtors shs 80,000, pre paid expenses shs 2,000, creditors shs 120,000, bills payable shs 20,000 (5 marks)
- b) Calculate debts to equity ratio and proprietary ratio. Equity share capital shs 500,000, preference share capital 300,000, Reserves shs 200,000, and Current liabilities shs 100,000. 8 %, Debentures shs 300,000, Fixed assets shs 1,000,000, Current assets shs 400,000 (10 marks)
- c) The current assets and current liabilities were shs 1,600,000 and shs 800.000 respectively. What is the effect of each of the following transactions individually and totally on the current ratio
- Purchase of new machinery for shs 500,000
 - Purchase of new machinery for shs 1,000,000 on medium term loan from a bank with 20 % margin
 - Payment of a dividend of shs 200,000 of which 47% was tax deducted at source
 - Materials purchased costing shs 500.000 in respect of which bank financed shs 300,000 (10 marks)

2) Extracts from financial account of KKR ltd are given below

	Year 2006	Year 2007
ASSETS		
Stock	10,000	20,000
Debtors	30,000	30,000
Payment in advance	2,000	-
Cash in hand	20,000	15,000
LIABILITIES		
Sunday credits	25,000	30,000
Bills payable	15,000	12,000
Bank overdraft	-	5,000

Sales amounted to shs 350,000 in 2006 and 300,000 in 2007. Compute the solvency position of KKR ltd and comment on the years (25 marks)

3) Extracts of balance sheets are given below

a.

YEAR	2006	2007
Profit and loss appropriative	30,000	40,000
General reserve	20,000	25,000
Good will	10,000	5,000
Preliminary expense	6,000	4,000
Provision for depreciation on machinery	10,000	12,000

Calculate the funds from operation (10 marks)

b. The balance sheets for 2006 and 2007 are as follows

Capital	25,000	20,000	cash	4,700	3,000
Profit and loss	2,300	1,000	Debtors	11,500	12,000
Bills payment	4,500	7,000	Land	6,600	5,000
			Stock	9,000	8,000
total	31,800	28,000		31,800	28,000

(15 marks)

4) The following are the summarized balance sheets of XYZ Ltd

LIABILITIES	2006	2007
Share capital	500,000	600,000
Reserves	150,000	180,000
Profit & loss account	40,000	65,000
Debentures	300,000	250,000
Creditors for goods	170,000	160,000
Provision for income tax	60,000	80,000
	1,220,000	1,220,000
ASSETS		
Fixed assets	1,000,000	1,120,000
Less depreciation	(370,000)	(460,000)
Stock	240,000	370,000
Book debts	250,000	230,000
Cash	100,000	75,000
	1,220,000	1,220,000

Prepare a fund flow statement (25 marks)

5)

- a) What are the merits of budgets (5 marks)
- b) Describe the essential features of budgeting control (5 marks)
- c) What are the steps in budgetary control (7 marks)
- d) What are the limitations of budgeting (8 marks)

- 6) DR is to start production on January 1, 2008. The prime cost of an unit is expected to be shs 40 (shs 16 per material and shs 24 for labor). In addition, variable expenses per unit are expected to be shs 8 and fixed expenses per month shs 30,000. Payment for materials is to be made in the month following the purchases one-third of sales will be for cash and the rest on credit for settlement in the following month. Expenses are payable in the month which they are incurred. The selling price is fixed at shs 80 per unit. The number of unit to be produced and sold are expected to be : January 900 units, February 1200 units, march 1800 units, April 2000 units, may 2100 units, June 2400 units.

Required :

Draw a cash budget indicating cash requirements (25 marks)

END