



ALUPE UNIVERSITY
COLLEGE
Bastion of Knowledge

P. O.Box 845-50400 Busia(K)
principal@auc.ac.ke
Tel: +254 741 217 185
+254 736 044 469
off Busia-Malaba road

OFFICE OF THE DEPUTY PRINCIPAL

ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

UNIVERSITY EXAMINATIONS

2018 /2019 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS

MANAGEMENT/BA.ECONOMICS/EDUCATION

BUSINESS

COURSE CODE: IRD 104

COURSE TITLE: QUANTITATIVE SKILLS

DATE: 17/04/208

TIME: 9.00AM-12.00PM

INSTRUCTION TO CANDIDATES

- **SEE INSIDE**

THIS PAPER CONSISTS OF 5 PRINTED PAGES

PLEASE TURN OVER



INSTRUCTIONS TO CANDIDATES

- Answer Question **ONE** and any other **TWO** questions
- Question **ONE** carries 30 marks
- Time allowed: 3 hours

QUESTION ONE

- Define financial management and discuss the functions of a financial manager (10 marks)
- Explain the various goals of a business firm (8 marks)
- List and Explain three accounting concepts (6 marks)
- Discuss the importance of accounting information (6 marks)

QUESTION TWO

The following information related to the proposed budget for K.K Ltd for the months ending 31 December 1996.

Month	Sales Sh. '000'	Purchases Sh. '000'	Wages Sh. '000'	Overheads Sh. '000'	Overheads Sh. '000'
July	72000	250000	10000	6000	55000
August	97000	31000	12100	6300	6700
September	86000	25500	10600	6000	7500
October	88600	30600	25000	6500	8900
November	102500	37000	22000	8000	11000
December	108700	38800	23000	18200	11500

Additional Information

- Depreciation expenses are expected to be 0.5% of sales.
- Expected cash balance in hand on 1 July 1996 is Sh. 72,500,000
- 50% of total sales are cash sales
- Assets are to be acquired in the months of August and October at Shs. 8,000,000 and Shs. 25,000,000 respectively
- An application has been made to the bank for the grant of a loan of Shs. 30,000,00 and it is hoped that it will be received in the month of November
- It is anticipated that a dividend of Shs. 35,000,000 will be paid in December

7. Debtors are allowed one month's credit
8. Sales commission at 3% on sales is paid to the salesmen each month

Required

A cash budget for the six months ending 31 December 2003.

(20 marks)

QUESTION THREE

The following information relates to Munene ltd for the year 2003;

- | | | |
|-------|----|--|
| March | 1 | Started business with cash £2,000. |
| " | 2 | Bought goods on credit from A Cliks £396. |
| " | 3 | Paid rent by cash £58. |
| " | 4 | Paid £2,000 of the cash of the firm into a bank account. |
| " | 5 | Sold goods on credit to J Simpson £54. |
| " | 7 | Bought stationery £15 paying by cheque. |
| " | 11 | Cash sales £49. |
| " | 14 | Goods returned by us to A Cliks £17. |
| " | 17 | Sold goods on credit to P Lutz £29. |
| " | 20 | Paid for repairs to the building by cash £18. |
| " | 22 | J Simpson returned goods to us £14. |
| " | 27 | Paid A Cliks by cheque £279. |
| " | 28 | Cash purchases £225. |
| " | 29 | Bought a motor vehicle paying by cheque £495. |
| " | 30 | Paid motor expenses in cash £15. |
| " | 31 | Bought fixtures £120 on credit from R west. |

Write up the above transactions in the books of Munene ltd and extract a trial balance

(20 marks)

QUESTION FOUR

Mr. Andrew is a merchant operating in Kisumu. His trial balance for the year 31/12/2011 is as follows:

	Dr.	Cr.
	Sh '000'	Sh '000'
Motor vehicles (at cost)	4,000	
Furniture & fittings (at cost)	3,000	
Stock (1/1/2011)	2,000	
Purchases/Sales	23,000	35,000
Returns inwards	4,000	



Returns outwards		1,000
Discount allowed	3,000	
Discount received		1,000
Debtors	8,000	
Creditors		4,000
Bad debts	1,000	
Provision for bad & doubtful debts		500
Motor vehicle expenses	1,000	
Salaries and wages	1,500	
Electricity and water	1,800	
Drawings	4,500	
Capital _____		15,300
	56,800	56,800

Additional information

- i) Closing stock amount to sh 3,000,000
- ii) Salaries and wages owing amounted to 500,000 while prepaid motor expense amounted to 50,000
- iii) Provision for bad & doubtful debts is set at 5% of current debtors
- iv) Depreciation is charged on motor vehicles and furniture & fittings at 20% p.a and 10% p.a respectively on cost.

Required:

- a) Trading profit and loss account for the year ended 31/12/2011 (12marks)
- b) Balance sheet as at 31/12/2011 (8marks)

QUESTION FIVE

Neflits Company intends to invest in two projects A and B. each of this machine will cost shs 100,000 to purchase and each has the economic life of 5 years after which there will be no residual value. The expected returns for these machines are;

Yr	machine A(shs)	machine B(shs)
1	30,000	50,000
2	30,000	45,000
3	30,000	35,000
4	30,000	30,000

5

30,000

20,000

The required rate of return is assumed to be 15%

Advising management accordingly calculate the;

- a. Payback period of the two machines (4 Marks)
- b. Accounting rate of return of the two machines (5 Marks)
- c. The NPVs of the two machines (5 Marks)
- d. Internal rate of return of the two machines (6 Marks)

