



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

**SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION 2022/23 (SEPT- DEC 2022)**

**FOR DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATIONS**

YR3S2 2021/22 EXAMINATION DRAFT

KISUMU CAMPUS

COURSECODE: BAB 1314

COURSE TITLE: FINANCIAL PLANNING, BUDGETING AND CONTROL

DATE: 9/12/2022

SESSION: 15.00-17.00PM

TIME:2 HOURS

INSTRUCTIONS

1. Answer question ONE(COMPULSORY) and ANY other two questions.
2. Candidates are advised not to write on the question paper.
3. Candidates must hand in their answer booklets to the invigilator while in the examination room.

QUESTION ONE

- a. Budgets are plans expressed in financial and/ or quantitative terms for a specified period of time in the future, in setting up a budgetary control system. Discuss the essentials of effective budgeting control system. (10 mrks)
- b. Discuss the various steps involved in the responsibility accounting (10 mrks)
- c. A company expects to have kshs. 37,500 cash on 1st April. They have also presented the following information

Month	Sales	purchases	Wages	Factory exp	Office exp	shs
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
February	75,000	45,000	9000	7,500	6,000	4,500
March	84,000	48,000	9,750	8,250	6,000	4,500
April	90,000	52,500	10,500	9,000	6,000	5,250
May	120,000	60,000	13,500	11,250	6,000	6,570
June	135,000	60,000	14,250	14,000	7,000	7,000

Additional information

- i. Period of credit allowed by suppliers two months
- ii. 20% of sales is for cash and period of credit allowed is one month
- iii. Delay in payment of all expenses is one month
- iv. Income tax of kshs. 57,500 is due to be paid on June 15th
- v. The company is to pay dividend to shareholders and bonusto workers of Kshs. 15,000 and kshs. 22,500 respectively in the month of April.
- vi. Plant has been ordered to be received and paid for in May. It will cost Kshs. 120,000

Required

- i. Prepare an estimate of cash position during the three months ending June.

QUESTION TWO

- a. Explain how flexible budgeting may be utilized to control costs (10 mrks)
- b. For the production of 10,000 electric automatic irons, the budgeted expenses are as follows

Particulars	Kshs/ unit
Direct materials	60
Direct Labour	30
Variable overheads	25
Fixed overhead (kshs. 150,000)	15
Variable expenses (direct)	5
Selling expenses (10%) fixed	15
Administration repairs (kshs. 50,000) Rigid for all level of production	5
Distribution expenses (20%) fixed	5
The total cost of sale per unit	10

Required

Prepare budgets for the production of 6000 and 7000 irons, showing distinctly the marginal cost and total cost (10 mrks)

QUESTION THREE

The production manager of Nyabura company is concerned about the apparent fluctuation in efficiency and wants to determine how labour costs (in kshs) are related to volume. The following data presents results of the 12 most recent weeks.

Week No.	Units produced (X)	Labour costs (Y) kshs
1	34	340
2	44	346
3	24	287
4	36	262
5	30	220
6	49	416
7	39	337
8	21	180
9	4	376
10	47	296
11	34	215
12	24	275

Required

- i. Estimate the cost function using high and low method (10 mrks)
- ii. Explain the limitations of the high low method (2 mrks)
- iii. Discuss the assertion “financial planning is the corner stone of sound financial planning”.
(8 mrks)

QUESTION FOUR

- a. Explain how the analysis of cost into fixed and variable components is of use in planning, control and decision making techniques used by the financial planning and budget officers. (10 mrks)
- b. Differentiate between the following terms as used in financial planning budgeting and control.
- i. Zero based budgets and flexible budgets (2 mrks)
 - ii. Cost center and budget centre (2 mrks)
 - iii. Master budget and functional budget (2 mrks)
 - iv. Responsibility accounting (2 mrks)
 - v. Financial planning (2 mrks)

QUESTION FIVE

Assume that a management accountant of KYZ Ltd that makes and sells product X has made the following estimates

Selling price khs. 10

Sales Demand

Condition	Units	Probability
Worst possible	55,000	0.3
Most likely	60,000	0.6
Best possible	75,000	0.1

Unit variable cost

	Cost	Probability
Best possible	3.5.	0.30
Most likely	4.0	0.55
Worst possible	5.5	0.15

- i. Complete the expected profit (7 mrks)
- ii. Compute the probability that this company fails to break- even (3 mrks)

The country director- world vision of Kenya was noted having his opening remarks in a planning, programming and budgeting conference as follows.

“It is only possible to achieve the overall objectives of an organization if there is strict adherence to the organizational plans, its rules and budget guidelines”.

- i. Discuss any four points to support his opening remarks (8 mrks)
- ii. Criticize his remarks (2 mrks)