



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT -SCM OPTION Y4SI
KISII CAMPUS-PART TIME

COURSE CODE: ABA 439

COURSE TITLE: FINANCIAL MANAGEMENT IN SUPPLY CHAIN MANAGEMENT

EXAM VENUE: LR 17

STREAM: (BBA)

DATE: 22/12/16

EXAM SESSION: 2.00 -4.00 PM

TIME: 2 HOURS

Instructions:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 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) Discuss the relationship between business finance and financial management (2 marks)
- b) Differentiate between Recurring and Non- Financial functions giving specific examples (4 marks)
- c) Discuss Five principles of financial management that are relevant in purchasing management (5 marks)
- d) Explain four motives for holding cash (4marks)
- e) Keli Enterprises Ltd has a business that has been trading for some time. You are given the following information as at 01.01.2015

	£
Buildings	11,000
Furniture & Fittings	5,500
Motor Vehicles	5,800
Stocks as at 1/01/2015	3,500
Purchases	5,000
Debtor	5,600
Cash a bank	1,500
Cash in hand	400
Creditors	2,500
Capital	30,800
Loan	5,000

Required: prepare a Balance Sheet as at 31 December 2015 (6 marks)

- f) ABC Ltd requires 2,000 units of a component in its manufacturing process in the coming year which costs Sh.50 each. The items are available locally and the leadtime in one week. Each order costs Sh.50 to prepare and process while the holding cost is Shs.15 per unit per year for storage plus 10% opportunity cost of capital.

Required

- i) How many units should be ordered each time an order is placed to minimize inventory costs? (2 marks)
- ii) What is the reorder level? (2 marks)
- iii) How many orders will be placed per year? (2 marks)
- iv) Determine the total relevant costs (2 marks)

Question Two

- a) Discuss the main assumptions of CVP (4 marks)

- b) Assume that you are planning to sell badges at the forthcoming Nairobi Show at Sh.9 each. The badges cost Sh.5 to produce and you incur Sh.2, 000 to rent a booth in the Show ground.

Required:

- i) Compute the breakeven point (2 mark)
 - ii) Compute the margin of safety (2 marks)
- c) Discuss the differences between Financial accounting and Management Accounting (4 marks)
- d) The following trial balance of Boones Ltd.

	Dr	Cr
	£	£
Stock 1 October 19x8	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	

Capital		126,360
	_____	_____
	<u>332,890</u>	<u>332,890</u>

Required: prepare a profit and Loss account as at 31st December 2003 (8marks)

Question Three

- Discuss the role of financial managers in an institution (4 marks)
- Explain the Agency Theory (3 marks)
- Differentiate between short-term and long term sources of finance giving appropriate examples (4 marks)
- Outline Factors to consider when choosing a source of finance (4 marks)
- The basic inventory decision model is Economic Order Quantity (EOQ) model. Outline the major assumptions of EOQ that guide inventory decisions (5 marks)

Question Four

- Product X has estimated variable cost per unit of Ksh. 4.75. Assuming 2,300 units are to be produced at fixed of Ksh. 450 of production, what will be the total cost of producing X. (3 marks)
- Discuss reasons for financial budgeting (5 marks)
- The following information related to the proposed budget for K.K Ltd for the months ending 31 December 2006.

Month	Sales	Material		Production	Administration
		Purchases	Wages	Overheads	Overheads
	Sh. '000'	Sh. '000'	Sh. '000'	Sh. '000'	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

1. Depreciation expenses are expected to be 0.5% of sales.
2. Expected cash balance in hand on 1 July 2006 is Sh. 72,500,000
3. 50% of total sales are cash sales
4. Assets are to be acquired in the months of August and October at Shs. 8,000,000 and Shs. 25,000,000 respectively
5. 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
6. 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 2006 (12 marks)