JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS & ECONOMICS

UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH IT

3RDYEAR 2ND SEMESTER 2017/2018 ACADEMIC YEAR

KISII CAMPUS-PART TIME

COURSE CODE: ABA 319

COURSE TITLE: FINANCIAL PLANNING AND BUDGETARY CONTROLS

EXAM VENUE: **STREAM: (BBA)**

DATE: **EXAM SESSION:**

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.**

Q.1 Budgets are plans expressed in financial and quantitative terms for a specified period of time in the future in setting up a budgetary control system. Required;

a) Describe the basic elements of a budget process.10mrks
b) Essentials of effective budgetary control system 10mrks
c) Explain five limitations of Budgeting. 10marksl

Q2 a) While preparing a financial plan for any business unit, certain essentials of a sound financial plan should be kept in view so as to ensure the success of such exercise in meeting the organizational objectives. Required identify and explain the essentials. 14 marks

b) Okwang company LMT had the following data for the month of November 1997.

Stocks	1 November 1997	1300 units
		Sh
Cash balance	1 November 1997	700,000
Expected credit sales		4,860,000
Expected cash receipts		1,960,000
Minimum cash balance	30 Nov 1997	Sh. 100,000
Stocks balance	30 Nov 1997	1700 units
Expected sales		10,000 units
Expected collection from customers		Sh. 47,000,000
Expected cash disbursement		Sh. 1,740,000

Required:

i. Budgeted purchases
ii. Budgeted debtors
iii. Cash budgets

Q3 a) Give a broad meaning of the following terms

i) Financial planning

ii) Budgeting

iii) Over-capitalization

iv) Under-capitalization

v) Capital structure (10 marks)

b) Discuss the objectives of Financial planning in a business setting. (10 marks)

Q4 Upendo industries ltd, a recently incorporated company plans to go into production next year. The following standard cost matrix has been assembled for one of the products it proposes to manufacture.

Cost per unit

	Shs.	Shs.
Direct materials		18.00
Direct labour		10.00
Variable factory overhead		8.00
Salaries	6.00	
Rent	5.00	
Depreciation	3.00	4.00
Total standard cost		50.00

The following recent information is available.

1. The company anticipates to manufacture and sell 198,000 units in the 2000 financial year.
2. Sales in the second and fourth quarters of the year are expected to be twice those of the first and third quarters.
3. Direct materials are ordered and paid for a month in advance.
4. 20% of the company sales are in cash. 60% of the credit sales are collected in the month following the month of sale and the balance the following month.
5. Expenses are settled in arrears at month end.
6. Overdraft facilities have been agreed at 30% p.a. and the company's bank balance at 31 December 2018 is expected to be Sh. 50,000.
7. The product is expected to retail at Sh. 80@ unit.

Required

1. Budgeted profit and loss for the first quarter.
2. Sales collection and schedule for the months of January, February and March 2000.
3. Cash flow for the months of January, February and March 1999.

(20marks)

Q5a) Explain the merits and demerits of a rolling Budget. (10marks)

c) I dentify five facts pondering around (ERP) Enterprise Resource Planning (10marks)