



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION (BBA With IT) FOR**  
**THIRD YEAR SEMESTER ONE ACADEMIC YEAR 2018/2019**  
**KISUMU CAMPUS – PART-TIME**

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**COURSE CODE: ABA 319**

**COURSE TITLE: FINANCIAL PLANNING, BUDGETING AND CONTROL**

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

**DATE: 12/08/19 EXAM SESSION: 2.00 – 4.00PM**

**DURATION: 2 HOURS**

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**INSTRUCTIONS**

- 1. Answer QUESTION ONE 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 (Compulsory)

- a) The production manager of Kisumu Hotel is concerned about the 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)
1	27	310
2	24	346
3	2	331
4	30	242
5	26	220
6	39	416
7	32	337
8	21	180
9	41	325
10	32	285
11	29	215
12	24	285

#### Required

Estimate the cost of the function using

- i. High and low method (6 marks)
  - ii. Regression analysis (11 marks)
- b) Explain the basic assumptions underlying linear regression (5 marks)
- c) You have been hired to do assessment of resources of a company for the purpose of financial planning, discuss the various analysis you will do. (8 marks)

### QUESTION TWO

- a) Kisumu boys school intends to purchase sports equipment from Fulchand ltd. Fulchand offers 5,000 units of the equipment for shs. 60,000 but 4,000 units for shs. 50,000. What is the apparent variable costs per unit of the equipment? (3 marks)
- b) Suppose Fulchand ltd produces 40,000 units of the sports equipment, what would be Fulchand's total cost of production of the sports equipment? (4 marks)
- c) Distinguish between fixed and flexible budgets (8 marks)
- d) Discuss the characteristics of a financial plan (5 marks)

### QUESTION THREE

- a) Discuss the steps involved in developing a cost estimating relationship (CER) (15 marks)
- b) Explain the limitations of financial planning (5 marks)

#### QUESTION FOUR

a) Explain the benefits of financial forecasting (10 mark)

b) The following is the balance sheet of XYZ Ltd as at 31<sup>st</sup>December 2014

	Shs'000
Net fixed Asset	300
Current Asset	<u>100</u>
	<u>400</u>
Financed by: Ordinary Share Capital	100
Retained Earnings	70
10% Debentures	150
Trade Creditors	50
Accrued Expenses	<u>30</u>
	<u>400</u>

#### Additional Information:

1. The sales for the year 2014 amounted to Shs. 500,000. The sales will increase by 15% during year 2015 at 10% during 2016
2. The after tax return, on sales is 12% which shall be maintained during the forecasting period to the future
3. The company's dividend payout ratio is 80%. This be maintained during the forecasting period.
4. Any additional financing from external sources will be effected through the issue of commercial

#### Required:

Determine the amount of external finance for the 2 years up to 31<sup>st</sup>December, 2016

(10 marks)

#### QUESTION five

a) Maseno Procurement students are planning to sell badges at the forthcoming Kisumu show at Sh. 9 each. The badges cost Sh. 5 to produce and they will incur Sh. 2000 to rent a booth in the showground

#### Required:

#### Compute:

- i. The margin of safety (4 marks)
- ii. The number of units they must sell to earn a before a tax profit of 20% (10 marks)
- iii. Explain the benefits of responsibility accounting system (6 marks)