



CENTRAL UNIVERSITY

MAY RESIT EXAMINATION: 2018/2019

**CENTRAL BUSINESS SCHOOL
DEPARTMENT OF BANKING AND FINANCE
CBBF 304**

ACCOUNTING FOR BANKERS

MAY, 2019

2½ Hours

STUDENT ID No.....

1. There are five questions in all. Answer any three (3) questions.
2. Show all workings.
3. After the examination, *submit your question paper* alongside your answer booklet.
Do not take the question paper out of the examination hall.

**DO NOT TURN OVER THIS PAGE UNTIL YOU HAVE BEEN TOLD TO DO SO BY
THE INVIGILATOR**

Examiners: Mr. Kenneth Ofori and Mr. Abel M. Agoba

QUESTION 1

A). The East Legon branch of Akosombo Bar prepares and sells a number of dishes to residents within its vicinity. Below are typical costs the company incurs:

- i. Cost of white rice used for preparing saffron rice with vegetable stew
- ii. Wages to cooks
- iii. Salary to the branch manageress, Auntie Mamaga
- iv. Rent paid to A&C in respect of kitchen space
- v. Cost of water used in washing plates
- vi. Depreciation of cookers and microwave ovens

Required:

- i) For each of the costs listed above, state whether the cost is a direct cost or indirect cost. **[6 marks]**
- ii) For each of the costs listed above, state whether the cost is variable expense or fixed expense. **[6 marks]**

B). You are an intern in the accounts department of Joyous Enterprise. Your head of department would like to understand the relationship between production runs and maintenance costs. Below is a time series of costs and activity levels.

Month	Number of production runs	Maintenance expense (GHS)
Jan	12	5,350
Feb	16	7,500
Mar	13	5,200
Apr	15	6,890
May	14	7850
Jun	18	5,570

Required:

- a). State four ways of separating semi-variable cost into fixed and variable cost. **[4 marks]**
- b). Determine a cost formula for maintenance expense using the high-low method. **[8 marks]**
- c). Estimate the maintenance expense for a month in which production runs are 20. **[3 marks]**
- d). Suppose you run a regression of a firm's total cost on its activity level and obtained the following regression equation: $y = 800,000 + 0.8x$. Answer the following questions:

i. What will be the firm's total fixed when level of activity is 500,000 units?

[3 marks]

ii. What will be the firm's total variable cost when level of activity is 500,000 units?

[3 marks]

[Total Q. 1 = 33 points]

QUESTION 2

A). The following were extracted from the books of Exodus Trucks Company Limited, dealers in Transport and Logistics for the year ended 31st December, 2018

	GHS
Profit before taxation	25,700
Dividend paid	5,400
Interest expense	2,800
Provision for doubtful debt	3,500
Increase in receivables	8,800
Decrease in receivables	6,000
Payment for the acquisition of Property Plant and Equipment	18,000
Proceeds from the issue of shares	30,000
Proceeds from the sale of Non-current assets (NCA)	9,000
Proceeds from the debenture	10,000
Investment income received	3,800
Tax paid	7,200
Decrease in inventories	8,500
Cash paid for the redemption of shares	24,850
Interest income received	2,500
Depreciation for the year	7200
Decrease in payables	9500

Required:

A). Prepare a cash flow statement for Exodus Trucks Company Limited for the year ended 31st December, 2018, indicating cash from operating activities, investing and financing activities. Cash balance brought forward from 2017 was GHS 5,000. [20 marks]

B). The statement of cash flow is simply a financial statement which reports on the cash receipts and disbursements of an entity during an accounting period. Explain each of the following in relation to cash flow statements, give examples in each case.

- i. Cash flow from operating activities [3 marks]
- ii. Cash flow from investing activities [3 marks]
- iii. Cash flow from financing activities [3 marks]
- iv. State four (4) advantages of a cash flow statement. [3 marks]

[Total Q. 2 = 33 marks]

QUESTION 3

Kantanka Ltd. makes Kantanka vehicles. The standard cost card for each vehicle shows:

Sales price	GHS 400
Materials: 4kg @ GHS 50	GHS 200
Labour: 6hrs @ GHS 20	GHS 120
Variable overheads: 6 hrs @ GHS 10	GHS 60
Fixed overheads: 6 hrs @ GHS 15	GHS 90

Fixed overheads are absorbed on the basis that 15,000 vehicles are assembled yearly.

Opening stocks at the start of April are:

Finished goods	350 vehicles
Raw materials	5,000 kg

The company plans to reduce raw materials stock by 10% of the opening stock value a month and increase finished goods stock by 5% of the closing stock value a month.

Sales demand is predicted as:

- April 1,200 vehicles
- May 1,400 vehicles
- June 1050 vehicles

Required:

- A). Prepare the following budgets
- i. Sales [5 marks]
 - ii. Production [5 marks]
 - iii. Materials Purchase in Kilograms and in GHS [15 marks]
 - iv. Labour Utilization in Hours and in GHS [5 marks]
- B). Differentiate between a master budget and a self-imposed budget? [3 marks]
- [Total Q.3 = 33 Marks]

QUESTION 4

Joe Mettle Music, organises music shows for university students under the name "Love Fest". Joe Mettle Music has set an activity level of 200 participants. In collaboration with the Central University Students Representative Council as part of their SRC week celebrations, Joe Mettle Music is organising a night of praise festival at the New Senate Room, Miotso Campus. The typical costs they incur are:

- Entry ticket - GHS15 per person;
- A set of program booklet and pen per person, - GHS 25 per set;
- A pack of food and drinks per person, - GHS35 per pack;
- Wages to a team of security men for the level of activity - GHS 500
- Shuttle service - GHS150 per round trip
- Other fixed administrative expenses per music show, - GHS 80.

Joe Mettle Music plans to charge each participant a fee of GHS120 for the entire package.

Required:

- (a) Using the activity level of 200 participants, compute the degree of operating leverage. [6 marks]
- (b) Using the degree of operating leverage you computed, determine the percentage change in net operating income when number of participants falls below the activity level by 35%. [5 marks]
- (c) Estimate the break-even point in terms of number of participants and then in cedi value. [6 marks]

(d) If Joe Mettle Music wishes to earn GHS 800 in net operating income for the coming show, how many participants should they obtain? [5 marks]

(e) Compute the margin of safety in units and percentage. Explain the answer you had in percentages? [6 marks]

(f) State whether each of the following statements is TRUE or FALSE.

- i. Incremental costs (revenues) are relevant
- ii. Sunk costs are not useless but relevant
- iii. Common revenues to the alternatives are relevant
- iv. Revenues that will not change by a decision are irrelevant
- v. Avoidable costs are irrelevant and unavoidable cost are relevant.

[5 marks]

[Total Q.4 = 33 marks]

QUESTION 5

Kwame Gyan was employed by Ghana Gas Ltd and posted to Takoradi as the Chief Operations Manager.

The following are his benefits and conditions of service:

Conditions of Service	GHS
Gross Salary	40, 000 p.a
Responsibility Allowance	62, 000 p.a
Risk Allowance	13, 000 p.a
Overtime Allowance	11, 500 p.a
Bonus	13, 800 p.a
Professional Allowance	11, 100 p.a
Research Allowance	9, 500 p.a

Kwame Gyan lived in a fully furnished shared accommodation by Ghana Gas in a plush suburb of Takoradi. He was given a Toyota Highlander with fuel by the company. He was also provided with a cook and a garden boy. The cook and garden boy were each to be paid one-third of Kwame's Professional allowance every quarter. The security man was paid GHS 450 a month.