

CENTRAL UNIVERSITY



FIRST SEMESTER RESIT EXAMINATIONS 2019-2020

**CENTRAL UNIVERSITY
CENTRAL BUSINESS SCHOOL
DEPARTMENT OF FINANCE**

ACCOUNTING FOR BANKERS

STUDENT ID No.....

INSTRUCTIONS

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THE INVIGILATOR**

Duration: 2.30hrs

CENTRAL UNIVERSITY
Central Business School
(Banking and Finance Department)
RESIT EXAMS – JANUARY 2020
Accounting for Bankers

2 HRS 30 Mins

Attempt All Questions

Question 1

A). Central University (CU) has decided to buy a new multi-purpose photocopy machine for the next academic year. Using your knowledge on cost classifications, provide answers to the scenarios below.

State and explain the type of cost under each scenario

[12 marks]

- i. CU has an old photocopy machine which is faulty and is therefore contemplating whether to sell it or not. The faulty machine has a book value of GHS 15000. In its decision to sell this machine, the value of GHS 15000 is a cost
- ii. CU can also decide to rent a photocopy machine for the academic year from Kingdom Books and Stationery. The cost of rental is GHS 2500 for the academic year. In relation to cost-volume relationships, the rental cost of GHS2500 is a Cost.
- iii. If CU decides to operate the photocopy machine, there are two courses of action available to CU. The first is to pay Kingdom Books a base rate of GH 500 in addition to GHS 0.5 per a sheet of paper photocopied. In this case, the total cost of Kingdom Books and Stationery is a
- iv. The other alternative is for CU to pay Kingdom Books a flat amount of GHS 900. CU will then request for one photocopy machine when school resumes, two machines for mid semester exams for more copies and three machines during examination periods since more exams papers will be printed. In this case, the total cost of Kingdom Books and Stationery could be described as.....
- v. CU can sell the photocopy machine stated in (i) above for GHS 4000. If CU decides not to sell the machine but to retain and use it, the GHS 4000 is a

vi. If CU decides to use the faulty machine, then it must be repaired at a cost of GHS 6000. In the decision to retain and use the machine, the repair cost of GHS 6000 is a

B). Explain five of the assumptions underlying cost volume profit analysis. [10 marks]

C). Explain the concept of budgetary slack under profit planning [3 marks]

[Q. 1 = 25 Marks]

2) Mako Ltd. makes a high quality Transparent Protective Gloves called Durex.

The standard cost card for each Durex shows:

Sales price	GHS 350
Materials: 4kg @ GHS 30	GHS 120
Labour: 6hrs @ GHS 15	GHS 90
Variable overheads: 6 hrs @ GHS 5	GHS 30
Fixed overheads: 6 hrs @ GHS 10	GHS 60

Fixed overheads are absorbed on the basis that 12,000 bras are produced a year.

At the start of January, opening stocks are:

Finished goods	300 bras
Raw materials	4,000 kg

The company plans to reduce raw materials stock by 150kg a month and increase finished goods stock by 25 bras a month

Sales demand is predicted as:

Jan 1,000 bras

Feb 1,200 bras

Mar 750 bras

Required:

Prepare the following budgets for each month and totals for the quarter

- i. Sales [6 marks]
- ii. Production [10 marks]
- iii. Materials Purchase in Kilograms and in GHS [20 marks]
- iv. Labour Utilization in Hours and in GHS [10 marks]

v. List the four attributes of a good tax system

[4 marks]

[Q. 2 = 50 Marks]

Question 3

Wendy Ltd produces and sells a single product called Sweet Candy. The income statement of the company for the just ended month follows.

Wendy Ltd		
Income statement for the month ending 30 June 2014		
	Total	Unit
	GHS	GHS
Sales revenue (80,000 units sold)	1,200,000.00	15.00
Variable expenses	920,000.00	11.50
Contribution margin	280,000.00	3.50
Fixed expenses	120,000.00	
Net operating income	160,000.00	

Required:

- Compute the company's degree of operating leverage. [4 points]
- Using the degree of operating leverage you have computed, determine the percentage change in net operating income when average monthly sales level drops to 60,000 units. [5 points]
- Estimate the company's break-even point in sales units and in sales value. [6 points]
- If the company wants to earn GHS200, 000 in net operating income in the coming month, how many units should the company sell? [3 points]
- Compute the margin of safety in units. What does the value you obtained mean? [2 points]
- The marketing department is seeking management's approval for a marketing campaign that would boost sales. In the proposal, unit sale price is to be reduced to GHS14 and advertising budget increased by GHS10, 000 to intensify awareness. The end result of the proposal is an estimated 5,000 unit increment in sales level. Advise management on whether to accept or reject the proposal. (Support your answer with relevant computations) [5 points]

[Q.3 = 25 marks]