



CENTRAL UNIVERSITY COLLEGE

END-OF-SECOND SEMESTER EXAMINATION: 2020 / 2021

CENTRAL BUSINESS SCHOOL

DEPARTMENT OF BANKING AND FINANCE

CBBF 304

ACCOUNTING FOR BANKERS

SEPTEMBER, 2021

2.5 Hours

STUDENT ID No.....

1. There are five questions in all. Answer any four 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.

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THE INVIGILATOR**

Examiner: Dr. M. E. Asamoah

Question 1

You complete your first degree with honors from Central University, the leading Christian Centered University in Ghana, and are undertaking the mandatory one-year national service. As a national service person with the accounts department of CU Credit Union, you have been asked by your supervisor to prepare a cash budget for the union for January 2021. The following information is available about the company's operation:

1. The cash balance on 1st January will be GHS 40,000.
2. Actual sales for November and December and expected sales for January are as follows:

	November	December	January
Cash sales	GHS 65,000	GHS 70,000	GHS 83,000
Sales on account	GHS 400,000	GHS 525,000	GHS 600,000

Sales on account are collected over three months in the following ratio: 20% collected in the month of sale, 60% collected in the month following sale, and 18% collected in the second month following sale. The remaining 2% is uncollectible.

3. Purchases of inventory will total GHS 280,000 for January. Thirty percent of a month's inventory purchases are paid during the month of purchase. The accounts payable remaining from December's inventory purchases total GHS161, 000, all of which will be paid in January.
4. Selling and administrative expenses are budgeted at GHS430, 000 for January. Of this amount, GHS50, 000 is for depreciation. All cash selling and administrative expenses are paid in the month in which they are incurred.
5. A new web server for the Marketing Department costing GHS76,000 will be purchased for cash during January.
6. Dividends totaling GHS9, 000 will be paid during the month.
7. The company must maintain a minimum cash balance of GHS20, 000. An open line of credit is available from the company's bank to bolster the cash position as needed.

Required:

- i). Discuss four significant benefits to be gained from a self-imposed budget. [4 Marks]
- ii). Prepare a schedule of expected cash collections for January. [7 Marks]
- iii). Prepare a schedule of expected cash disbursements for materials during January to suppliers for inventory purchases. [3 Marks]
- iv). Prepare a cash budget for January 2021. Indicate in the financing section any borrowing that will be needed during the month. [11 Marks]

[Total Q.1 = 25 Marks]

Question 2

A). Cost is the value of resources consumed to produce goods and services. Cost has multiple meanings and the various classifications. The following costs relates to a printing business.

- i) Paper used in printing books.
- ii) Depreciation of printing machines.
- iii) Wages to workers who arrange printed matter for binding.
- iv) Salaries to production manager.
- v) Advertisement on radio
- vi) Website maintenance

Required: For each case state whether the cost is

- (a) Direct or indirect [6 marks]
- (b) Fixed or variable [6 marks]

B). For any cost volume profit analysis to be valid, several important assumptions must reasonably be satisfied within the relevant range. As a management accountant for your organization, evaluate any five (5) assumptions that must be satisfied in cost-volume-profit analysis. [5 marks]

C). Taxes in Ghana are paid by both resident and non-resident persons living in the country. Resident individuals are taxed on their global income. State the conditions for residency under the Ghanaian tax laws. [8 marks]

[Total Q.2 = 25 Marks]

Question 3

A). Madam Clarice, the Chief Finance Officer of ClariMak Group wants to conduct a Cost-Profit-Volume Analysis for the sale of the company's single product, which is being sold at the price of GH¢60 per unit. The following data relates to production and sale of the single product:

Month	Qty	Total Cost (GH¢)
Jan	250	18,000
Feb	350	20,000
Mar	150	14,000
Apr	125	10,000
May	160	15,000
Jun	100	8,000

You are required to

- (i) Use the high-low method to estimate total fixed cost and unit variable cost. [4 marks]
- (ii) Compute contribution margin ratio. [3 marks]
- (iii) Compute break-even point in units and in sale value. [5 marks]
- (iv) Assuming current sales level is 400 units, compute the margin of safety in units. [3 marks]
- (v) Determine units that should be sold to achieve a profit target of GH¢2,000. [3 marks]

(a) Set out below is the income statement of Jackson & Yorke, a firm of Computer Scientists. Use the statement to answer the questions that follow.

Item	Total	Per Unit
	GH¢	GH¢
Revenue	35,000.00	200.00
Variable Expenses	15,000.00	100.00
Contribution Margin	20,000.00	100.00
Fixed Expenses	5,000.00	40.00
Net Profit	15,000.00	60.00

- (i) What is the firm's degree of operating leverage? [2 marks]
- (ii) What does the value of operating leverage you obtained in (i) above mean? [3 marks]
- (iii) What would be the effect of a 20 percent increase in revenue on net profit? [2 marks]

[Total Q. 3 = 25]

Question 4

A). Tax is the practice of the government in levying the subjects of the state. Differentiate between direct and indirect taxes and give three (3) examples each applicable in Ghana. [10 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 three (3) merits of a cash flow statement. [3 marks]

[Total Q. 4 = 25]

Question 5

A). What are the advantages and the disadvantages of Payback Period in Capital Budgeting decision making criteria? (4 marks)

B). Consider investment projects A and B, which are mutually exclusive, with the following cash flows:

	A	B
Year 0	-350	-250
Year 1	150	750
Year 2	100	-25
Year 3	50	-50
Year 4	300	250

The relevant interest rate is 8% for both projects. Respond clearly and explain your answers.

- i. What project is chosen according to the payback rule? [5 marks]

- ii. What project is chosen according to the profitability index (PI) rule? [5 marks]
- iii. What project is chosen according to NPV rule? [5 marks]
- iv. If you had alternative investment opportunities in the financial markets, why would you like to spread your budget across different assets rather than focusing on the one that gives you the highest expected return? [4 marks]
- v. Briefly define the internal rate of return [2 marks]