

**CENTRAL UNIVERSITY**



**FIRST SEMESTER RESIT EXAMINATIONS 2022-2023**

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

**CBBF 304: ACCOUNTING FOR BANKERS**

**STUDENT ID No.....**

**INSTRUCTIONS**

**DO NOT TURN OVER THIS PAGE UNTIL YOU HAVE BEEN TOLD TO DO SO BY  
THE INVIGILATOR  
ANSWER ALL QUESTIONS  
Duration: 2.30hrs**

### QUESTION ONE [60 MARKS]

The following are extracted balances from Harbhajan's business accounts along with other information relating to the business's year end on 30 April 2017. For some reason, the figure for Capital at the beginning of the year has not been supplied, although you have been given the year end net profit figure:

	£
Capital as at 1 May 2016	Unknown
Machinery at cost	100,000
Sales Revenue	59,000
Motor Vehicles at cost	50,000
Purchases	25,000
Trade Receivables	13,500
Trade Payables	12,500
Accumulated [ <i>provision for</i> ] depreciation: Machinery	10,000
HM Revenue and Customs: VAT (owing)	7,750
Net Profit as at 30 April 2017	7,105
Accumulated [ <i>provision for</i> ] depreciation: Motor Vehicles	5,000
Water and Utilities	4,500
Inventory as at 1 May 2016	3,500
Wages and Salaries	3,500
Rent	3,000
Bank (in funds)	1,800
Purchases Returns	1,355
Business Rates	1,250
Bad Debts written off	1,150
Sales Returns	1,250
Discounts Allowed	950
Cash in Hand	760
Drawings	750
Discounts Received	550

The Rent figure includes £600 relating to May, June and July 2017.  
The Machinery still has to be depreciated at year end by 10% straight line.  
There was unpaid Wages and Salaries at year end 30 April 2017 of £800.  
Stocktake at year end 30 April 2017 valued Inventory at £5,000.  
Motor Vehicles need year end depreciation (diminishing [*reducing*] balance at 10%).

Use the information given about Harbhajan's business as appropriate to prepare a Statement of Financial Position for its year end, including the missing figure for Capital.

### Question 2 [20 MARKS]

Lady Gaga Plc is a renowned record manufacturing company and has received a one off order from Ginger Blears an English member of parliament to write and manufacture a song for her about how honourable she is. In addition to demonstrate her selfless efforts to public duty the record should be made from platinum, a more expensive material than the usual material used to manufacture records. Ms Blears is happy to pay for this record out of her expenses claiming it back from the taxpayer.

Currently Lady Gaga Plc's work force is at full capacity and would have to stop work on existing songs in development such as "If you don't know me by now" and "Everything I do, I do it for you" for other trustworthy members of parliament.

The following information is available for the usual manufacture of new songs.

	Per song (£)
Selling price	45,000
Material	(5,000)
Variable overheads	(3,000)
Labour	(2,000)
Contribution	35,000
Fixed overhead	(1,500)
Profit	33,500

What is the lost contribution suffered by Lady Gaga Plc if it accepted the order from Ginger Blears?

### Question 3 [20 MARKS]

Z plc is preparing a quotation for a one off contract to manufacture an item for a potential customer. The item is to be made of steel and the contract would require 300 kgs of steel. The steel is in regular use by Z plc and, as a consequence, the company maintains an inventory of this steel and currently has 200 kgs in inventory. The company operates a LIFO basis of inventory valuation and its most recent purchases were as follows:

20 November 2006 150 kgs costing £600

3 November 2006 250 kgs costing £1,100

The steel is easily available in the market where its current purchase price is £4.25 per kg. If the steel currently held in inventory was to be sold it could be sold for £3.50 per kg.

Calculate the relevant cost of the steel to be included in the cost estimate.