

**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: FINANCIAL AND MANAGEMENT ACCOUNTING**

**(IOBM – AD307)**

**Date: Thursday, 7th November 2013**

**Time Allocated: 3 hours (13:30 - 16:30 pm)**

**INSTRUCTIONS TO CANDIDATES**

1 This paper consists of **TWO** Sections, A and B.

2 Section A consists of 4 questions, each question carries 15 marks.

Answer **ALL** questions.

3 Section B consists of 4 questions, each question carries 20 marks. Answer **ANY TWO** questions.

4 You will be allowed **10 minutes** to go through the paper before the start of the examination, you may write on this paper but not in the answer book.

5 Begin each answer on a new page.

6 **Please write your examination number on each answer book used. Answer books without examination numbers will not be marked.**

7 DO NOT open this question paper until instructed to do so.

**SECTION A (60 MARKS)**

Answer **ALL** questions from this section.

**QUESTION 1**

Use the following financial information for Fakili Limited to prepare a statement of cash flows using the indirect method.

Statement of Comprehensive Income for the year ended 28 February 2013

**K’000** **K’000**

Turnover 40,000

Cost of sales 12,000

Gross Profit 28,000

Expenses

Depreciation 1,300

Rent 3,200

Other operational expenses 5,400

Interest 450 (10,350)

Profit before tax 17,650

Corporate tax (4,800)

Profit after tax 12,850

Dividend (6,000)

Retained Profit 6,850

Statement of Financial Position as at 28 February 2013

**2013 2012**

Non Current Assets at cost 23,000 16,000

Accumulated depreciation 8,000 6,700

Net book value 15,000 9,300

Current Assets:

Inventory 3,000 1,450

Prepaid Rent 800 700

Receivables 1,800 2,100

Bank and cash 400 380

6,000 4,630

Current Liabilities

Payables 2,000 1,500

Tax 480 360

Final dividend 2,000 2,400

(4,480) (4,260)

**16,520** **9,670**

**Financed by:**

Ordinary share capital 2,000 2,000

Share Premium 800 800

Retained earnings 13,720 6,870

**16,520** **9,670**

**Note:** There were no disposals of noncurrent assets during the year. **(Total 15 marks)**

**QUESTION 2**

Malabada Limited budgeted production costs as follows for the month of June 2012:

Standard Cost

8 Kg of material B at K75 per Kg

0.25 hours of labour at K12 per hour

During the month of June actual production was:

10,000 units were produced

Used 95,000 Kg of material B costing K6,460,000

1900 labour hour used costing K26,600

**Required:**

Calculate the following:

1. Material B price variance. *(3 marks)*
2. Material B usage variance. *(4 marks)*
3. Labour rate variance. *(4 marks)*
4. Labour efficiency variance. *(4 marks)*

**(Total 15 marks)**

**QUESTION 3**

Ginger bought 8,000 ordinary shares of Ale limited on 30 September 2012 to form GingerAle Group. The statements of financial position on 30 September 2012 were as follows:

**Ginger** **Ale**

K’000 K’000

Non-current Assets 50,000 18,000

Investment in Ale Limited 30,000

Receivables 2,500 6,000

Bank and cash 4,500 7,300

**87,000** **31,300**

Payables 3,700 1,800

K1 Ordinary shares 50,000 10,000

Retained Earnings 17,000 5,800

General Reserve 16,300 13,700

**87,000** **31,300**

**Required:**

Prepare the consolidated Statement of financial position for Ginger Ale Group as at 30 September 2012. **(Total 15 marks)**

**QUESTION 4**

Define the following terms in a partnership

1. Deed *(1 mark)*
2. Sleeping partner *(1 mark)*
3. Current account *(1 mark)*
4. Mrs Kwelepeta has decided to venture into retail business using her money K450,000 as capital. However, she has also another thought of inviting her two friends, Mr Jeke and Mrs Chipwete to form a partnership. Advise Mrs Kwelepeta on the two alternatives by describing **three** advantages and **three** disadvantages of a partnership. *(12 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

The following information relates to ABC Limited for the year ended 31 March 2012

Opening Stock Nil

Units Produced 10,000,000

Ware house Rent K24,000,000

Direct Materials K18,000,000

Direct Labour K36,000,000

Selling Price per unit K15

Selling expenses K12,000,000

Total Sales K127,500,000

Absorption rate for warehouse rent K2.00 per unit

**Required:**

1. Prepare a trading profit and loss account using:-

(i) Marginal Costing *(6 marks)*

(ii) Absorption costing *(8 marks)*

1. Explain any **three** problems associated with marginal costing. *(6 marks)*

**(Total 20 marks)**

**QUESTION 6**

LMN Limited has the following annual estimated data:

Expected Sales: 25,000,000 books at K20 per book

Direct Materials: K3 per book

Direct Labour: K2.50 per book

Variable Costs: K4.50 per book

Fixed Costs: K75,000,000

**Required:**

Calculate the following:

1. Breakeven point  *(5 marks)*
2. Margin of safety  *(3 marks)*

Briefly explain **six** uses of standard cost  *(12 marks)*

**(Total 20 marks)**

**QUESTION 7**

A bank would ordinarily need financial statements from a loan applicant in order to make an assessment before arriving at a decision on a loan application. Consider this to answer the following:

1. Describe the **three** main reports that constitute financial statements. *(9 marks)*
2. What **three** particular areas of loan application assessment will be enhanced by each of the reports and how will you go about in using the reports.  *(9 marks)*
3. Mention **two** other external users of financial statements and for what reason?

*(2 marks)*

**(Total 20 marks)**

**QUESTION 8**

The following information relates to inventory transaction for Palibe Limited:

31 October: Bought material for the first time 3,000 Kg at a total cost of K6,000,000

01 November Issued 700 Kg material

4 November Bought 1,000 Kg material at a total cost of K2,200,000

6 November Issued 2,000 Kg material

10 November Issued 1,200 Kg material

13 November Purchased 2,500 Kg material at a total cost of K6,000,000

15 November Purchased 1,500 Kg material at a total cost of K3,900,000

18 November Issued 1,200 Kg

21 November issued 1,700 Kg

Note: Total Sales for the month of November were K23,000,000

**Required:**

1. Using FIFO and AVCO, calculate the cost of sales and closing inventory.

*(16 marks)*

b) Calculate gross profit using FIFO and AVCO methods. *(4 marks)*

**(Total 20 marks)**

**END OF EXAMINATION PAPER**