

**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: FINANCIAL AND MANAGEMENT ACCOUNTING**

**(IOBM – AD307)**

**Date: Thursday, 12th November 2015**

**Time Allocated: 3 hours (08:00 – 11:00 am)**

**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 sheets without examination numbers will not be marked.**

7 All persons writing examinations without payment will risk expulsion from the Institute.

8 If you are caught cheating, you will be automatically disqualified in all subjects seated this semester.

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

**SECTION A (60 MARKS)**

Answer **ALL** questions from this section.

**QUESTION 1**

1. Department X in Malabada Enterprises planned to employ 250 casual labourers that would work a total of 44,000 hours paid K75 per hour. As it turned out, 280 casual labourers were employed who worked a total of 43,200 hours and were paid K78 per hour.

Calculate the following:

1. Total labour variance. *(3 marks)*
2. Labour price variance. *(3 marks)*
3. Labour efficiency variance. *(3 marks)*
4. Suggest **three** reasons that might have given rise to the total labour price variance.

*(3 marks)*

1. Mention **three** practical managerial uses of labour variance analysis. *(3 marks)*

**(Total 15 marks)**

**QUESTION 2**

The following is the trial balance for Katuli Enterprise as at 31 December 2014

Dr Cr

K’000 K’000

Capital 4,000

Fixtures and fittings 500

Motor vehicles 1,200

Purchases 6,432

Equipment 2,300

Discount received 473

Return outwards 332

Accounts receivable 1,890

Accounts payable 2,748

Rent 720

Salaries and wages 1,302

Sales 9,322

Inventory 832

Bad debt recovery 32

Return inwards 280

Electricity 180

Maintenance 290

Bank 981

**16,907** **16,907**

Notes:

Depreciation is provided on straight line with no scrap value over the following useful lives:

Fixture 10 years

Motor vehicles 5 years

Equipment 4 years

Rent for the period of six months to 31 March 2015 amounting to K300,000 is due and has to be taken into account.

Stock as at 31 December 2014 was valued at K910,000

Katuli’s policy is to provide for doubtful debts at the rate of 10% of debtors closing balance.

**Required:**

Prepare a trading, profit and loss account for Katuli for the year ended 31 December 2014.

**(Total 15 marks)**

**QUESTION 3**

Prepare journal entries to correct the following errors:

1. When posting annual rental payment, K140,000 was wrongly entered as K14,000*. (2 marks)*
2. A cheque payment of K200,000 to Mr Kaliyeka, a supplier was debited in cashbook and credited in repairs account**.** *(3 marks)*
3. A payment of K230,000 for insurance was completely forgotten to be posted in the book of accounts. *(2 marks)*
4. A purchase of motor vehicle for K36 million on credit from Stayford Motors was posted by debiting Stayford Motors account and crediting motor vehicle account.

*(4 marks)*

1. Payment of monthly wages for eight employees each getting K30,000 per fortnight was posted as K960,000. *(4 marks)*

**(Total 15 marks)**

**QUESTION 4**

A company has 1,000 permanent established positions and during the year 2014, 25 employees were replaced for various reasons.

1. Calculate the labour turnover *(1 marks)*
2. Explain any **four** ways in which labour turnover costs arise. *(8 marks)*
3. A supervisor spends 1 hour supervising maize milling, 2 hours on rice milling and 5 hours supervising packing daily. The monthly salary for the supervisor is K160,000. Apportion the monthly salary overhead to the maize milling, rice milling and packing sections. *(6 marks)*

**(Total 15 marks)**

**SECTION B (40 MARKS)**

Answer **ANY TWO** questions from this section

**QUESTION 5**

Macheza and Sewero have been running a partnership for many years sharing their profits equally and the following is the balance sheet of the partnership as at 30 November 2014.

K’000

Non- current assets:

Premises 8,000

Computer equipment 1,200

Motor vehicles 4,800

**14,000**

Current Assets

Inventory 4,200

Accounts receivables 2,900

Bank and cash 740

**7,840**

Current Liabilities:

Accounts payable 3,700

Accrued expenses 190

**3,890**

Net Assets **17,950**

Current Accounts:

Macheza 550

Sewero 400

Capital Accounts

Macheza 8,000

Sewero 9,000 **17,950**

They have made a decision to admit Gule into the partnership from 1 December 2014 under the following conditions:

Gule to pay K10,000,000 capital

Premises to be revalued to K10,000,000 and inventory to K3,600,000

Goodwill valued at K1,200,000 but to be written off immediately

Profits to be shared equally

**Required:**

1. Prepare partnership capital accounts immediately after introduction of Gule.

*(12 marks)*

1. Prepare a balance sheet after introduction of Gule**.** *(8 marks)*

**(Total 20 marks)**

**QUESTION 6**

Maduka Enterprise manufactures special chairs using wood and leather. One chair consumes 120cm of wood and 750g of leather. It takes 30 minutes of direct labour to complete one chair. Maduka Limited has the following projection for the month of January 2015:

Demand: 130 chairs

Factory Rent: K248,000

Selling price: K12,500

Wood purchase price: K2,000 per metre

Leather purchase price: K8,000 per kg

Direct labour: K2,000 per hour.

**Required**

Calculate the following:

(a) Breakeven point in sales value. *(10 marks)*

(b) Expected total profit. *(5 marks)*

(c) Margin of safety in sales value. *(3 marks)*

(d) Mention two assumptions behind the Cost Profit Volume Analysis *(2 marks)*

**(Total 20 marks)**

**QUESTION 7**

The budget is recognised in several organisations as an important item. On the other hand the budget should not be considered as a tool without limitations. Explain by giving **five** reasons and citing examples why management ought to exercise caution when using the budget as a management tool.

**(Total 20 marks)**

**QUESTION 8**

Maziko Pharmaceuticals manufactures drugs through two major processes M and N. The following is data for the month of February 2015:

Process M Process N

Sulphur @ K7/Kg 20,000 Kg

Input from process M - 19,600 Kg

Labour @ K50 per hour 2,000 hours 1,500 hours

Final products - 18,000 Kg

Normal loss 5% 2%

**Required**

1. Prepare Process M Account (*6 marks)*
2. Process N Account. *(6 marks)*
3. Abnormal gain account. *(2 marks)*
4. Abnormal loss account. *(2 marks)*
5. Suggest any two causes of the abnormal loss. (4 marks)

**(Total 20 marks)**

**END OF THE EXAMINATION PAPER**