

BOTSWANA OPEN UNIVERSITY
In collaboration with
THE COMMONWEALTH OF LEARNING

Commonwealth Executive Masters in Business Administration
Commonwealth Executive Masters in Public Administration

ACCOUNTING AND FINANCE
AF312

Special Examination

Marks: 100

Time: 3 Hours

Instructions

1. The examination consists of **Two** sections: A and B.
2. Begin each answer to a new question on a new page.
3. Answer questions according to instructions given in each section.
4. Write answers in the answer booklet provided.
5. Write in grammatical English.



SECTION A-SHORT ANSWER QUESTIONS

[40 MARKS]

Answer ALL questions in this section.

1. Distinguish cash accounting from accruals accounting. **(6 marks)**
2. Outline the steps in the accounting process and briefly describe each step. **(10 marks)**
3. Identify any three accounts from the financial statements and give an example of how a/an increase/decrease can occur without a cash flow consequence. **(6 marks)**
4. Give two reasons for the differences in cash flow and profit. **(4 marks)**
5. Explain why it is important for financial statements to be prepared according to these concepts:
 - a. Going concern. **(4 marks)**
 - b. Prudence. **(4 marks)**
 - c. Consistency. **(4 marks)**
6. Define and explain the purpose of sustainability reporting. **(6 marks)**
7. Distinguish horizontal analysis from vertical analysis of financial statements. **(6 marks)**
8. Prepare a trial balance from the list of the following account balances. **(10 marks)**

Bank	2600
Receivables	3400
Stationery	100
Office equipment	1600
Payables	450
Wages	100
Capital	2750
Services rendered	6500
Rent expense	1200
Advertising costs	100



SECTION B – ESSAY TYPE QUESTIONS

[40 MARKS]

Answer any TWO questions in this section.

QUESTION 1

Read the following information and answer the questions that follow.

The following is a Statement of Cash Flows for XYZ (ltd) for the year ended 30 September 2017.

Details	BWP	BWP
<u>Cash flow from Operating Activities:</u>		
Net profit for the year		
Income tax	951 000	
Interest on debentures	—	
Dividends	—	
<u>Adjustments for non-cash movement items:</u>		
Depreciation	260 000	
Amortisation of goodwill	30 000	
Deferred income taxes	20 000	
Profit on disposal of asset	(2 000)	
	<hr/>	
	1 259 000	
<u>Changes in working capital:</u>		
Increase in inventory	(303 000)	
Increase in receivables	(90 000)	
Increase in payables	180 000	
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Operating cash flows	1 046 000	
Less: Tax paid	—	
: Interest paid	—	
: Dividends paid	(750 000)	
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Net cash generated from operations		296 000
<u>Cash flow from Investing Activities:</u>		
Proceeds from disposal of fixed asset	18 000	
Acquisition of New Assets	(1 774 000)	
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Net cash used in investing activities		(1 816 000)



<u>Cash flow from Financing Activities:</u>		
Issue of new bonds	400 000	
Issue of new shares at a premium	1 000 000	
Repayment of debentures	--	
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Net cash generated from		1 400 000
Net cash used during the year		(120 000)
Add: Balance brought forward from previous year		240 000
Balance at end of year		120 000
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Required:

Analyse the standing of the XYZ (Ltd) based on the statement of cashflow.

(20 marks) ✓

QUESTION 2

The accountant must exercise their professional judgement in making relevant choices between alternatives. Discuss this statement and consequences thereof.

(20 marks)

QUESTION 3

Discuss the limitations of financial statement analysis.

(20 marks) ✓

END OF EXAMINATION