

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

Sessional 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

[60 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)

ASSETS

equity

current liab

CO

- collecting analysing
- recording
- recording
- reporting

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

10350

1900

8450

in



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	951 000	
Income tax	--	
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	
Operating cash flows	<hr/>	
	1 046 000	
Less: Tax paid	--	
: Interest paid	--	
: Dividends paid	(750 000)	
	<hr/>	
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)	
	<hr/>	
Net cash used in investing activities		(1 816 000)
<u>Cash flow from Financing Activities:</u>		



Issue of new bonds		
Issue of new shares at a premium	400 000	
Repayment of debentures	1 000 000	
	--	
Net cash generated from financing activities		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

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)**

✓ relevance
Accuracy
uncertainty

order

END OF EXAMINATION

JHR