

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

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

Time: 3 Hours

Marks: 100

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 TYPE QUESTIONS

[40 MARKS]

Answer ALL questions in this section.

QUESTION 1

How might the following factors increase deterioration of earnings quality and in each case, provide an example of how it may be deteriorated.

- a. A private company about to announce its IPO. **(4 marks)**
- b. A company looking to aggressively increase profits by reducing its tax burden. **(4 marks)**

QUESTION 2

There are two sources of funds available to companies, namely, debt and equity. Describe four advantages that a moderately geared company has over an all equity financed company?

(12 marks)

QUESTION 3

For each of the following scenarios, analyze the likely cause and deduce the overall impact for a company's financial health in future.

- a. A simultaneous increase in net cashflows from operating activities and an increase in net cashflows from investing activities. **(5 marks)**
- b. A simultaneous increase in net cashflows from operating activities and an increase in net cashflows from financing activities. **(5 marks)**
- c. A decrease in investing activities. **(5 marks)**

QUESTION 4

Identify any five factors that makes the statement of cashflows more relevant for users than a statement of income.

(5 marks)

SECTION – B

[60 MARKS]

Answer any THREE questions in this section.

QUESTION 1

The bookkeeper of BC services prepared the following trial balance from the records of the business:

Trial Balance as at 31 March 2016		
	Debit P	Credit P
Bank 3		2600
Receivables 2	3400	
Stationery 1		50
Office equipment 1	1600	
Payables 2	450	
Wages 1	100	
Capital 1	2750	
Services rendered 2		6500
Rent expense 1	1200	
Advertising costs 1		50
Total	9400	9300

The bookkeeper is unable to balance the trial balance and you are requested to assist him. After examining the journal and ledger, you determine the following:

1. The debits to the bank account amounted to P7625 and the credits to P5125.
2. A payment of P100 by a receivable, was not posted to the receivables account.
3. A payment of P50 to a payable was recognised in the journal, but not posted to any account.
4. The first two figures in the balance of the services rendered account, as shown in the trial balance, were transposed by the bookkeeper when transferred from the ledger to the trial balance.

Required:

- a. Prepare a correct trial balance. (15 marks)
- b. State the errors that are not revealed by a trial balance. (5 marks)



QUESTION 2

The following are objectives a good stock control system for a manufacturing company.

- All stock items are authorised and recorded.
- Goods cannot be misappropriated.
- The stock recording system has valued stock correctly.
- Stock levels held are adequate.
- Stock records only contain those items that owned by the company and that exist.
- Stock is secure from loss, theft or damage.
- Management has accurate/timely information concerning stock levels.

Required:

Discuss the controls that could be implemented over stock to ensure that the objectives are met.

Your discussion should be under the following headings:

- i. Receiving and recording. **(10 marks)**
- ii. Valuation and protection of stock.

(10 marks)



QUESTION 3

Consider the following financial information for XYZ ltd.

	2012 (P)'000	2011 (P)'000	2010 (P)'000
<u>Assets:</u>			
Net non-current assets	4 364	4 430	2 581
Current assets:			
Inventories	3 287	2 613	2 031
Trade receivables	4 051	2 870	1 963
Cash and cash equivalent	202	387	561
	7 540	5 850	4 555
Total assets	11 904	10 300	7 136
<u>Equity & Liabilities</u>			
<u>Equity:</u>			
Shareholders' equity	5 704	4 940	4 223
<u>Non-current liabilities:</u>			
Long-term debt	950	1 000	500
<u>Current liabilities:</u>			
Trade payables	3 613	2 944	1 862
Accruals	587	516	301
Bank loan (short-term)	1 050	900	250
	5 250	4 360	2 413
Total liabilities	6 200	5 360	2 913
Total equity & liabilities	11 904	10 300	7 136
Other information:	P'000	P'000	P'000
Sales	16 349	14 952	11 863
Cost of goods sold	12 016	11 124	8 537
Selling, general & admin. Expenses	2 993	2 659	2 349
Profit before tax	1 340	1 169	977
Income tax	576	452	390
Profit after tax	764	717	587



MASTERS
January – June

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AF312 Accounting and Finance

Required:

Using common-size analysis, evaluate trends in the company's financial condition and performance. **(20 marks)**

QUESTION 4

Discuss the IASB Framework including its purpose. **(20 marks)**

END OF EXAMINATION