



2. (a) The following information relates to the proposed budget for Topmax Limited for four months to 30 April, 2014.

Month	Sales	Materials purchases	Wages	Production overhead	Administration overheads
	Ksh. (m)	Ksh. (m)	Ksh. (m)	Ksh. (m)	Ksh. (m)
January	90	31	18	11	17
February	84	28	16	09	23
March	98	36	20	10	21
April	102	35	22	12	18

Additional information:

- (i) The expected cash balance at hand on 1st February 2014 is Ksh. 96 million.
- (ii) Cash sales are 50% of total sales in each month. The balance is settled by debtors the following month.
- (iii) Suppliers of materials are settled one month after purchases.
- (iv) Wages are paid for in the month in which they are incurred.



3. (a) ABC Limited has identified a project which will require an initial investment of Ksh. 1 million. The projected cash in flows for five years are as follows:

Year	Cash in flows
2014	500,000
2015	400,000
2016	200,000
2017	200,000
2018	100,000

- (i) Determine: (I) the payback period for the project;  
(II) the Net Present Value.

- (ii) Advise the management on whether to undertake the project or not.

(11 marks)

- (b) A company makes two distinct products A and B. During the year ended 31 December 2013, the company manufactured 1200 kgs of product A and 1800 kgs of product B. The total costs incurred were as follows:

	Ksh.
Direct materials	850,000
Direct wages	180,000
Stores overheads	85,000
Running expenses of machine	28,000
Depreciation on machinery	24,000
Labour amenities	39,000
Employee's insurance	13,000
Administration and selling	40,000

**Additional information:**

Basis of apportionment for	A:B
Direct material cost	2:3
Direct wages	2:3
Material utilization ratio	1:3
Stores overheads	2:3
Number of employees	4:9
Administration and selling expenses	3:5
Labour amenities	4:9

Determine the total cost of each product.

(9 marks)





6. (a) The following is the sales data for the Chapakazi Limited for the years 2012 and 2013 (Ksh. millions).

Year	Quarter			
	1	2	3	4
2012	43	39	80	52
2013	27	40	92	60

- (i) Determine the linear regression equation using least squares method. (8 marks)
- (ii) Estimate the sales for each quarter of year 2013. (4 marks)
- (b) The following are the income statements of Soko Branch and Duka Branch of Bali Limited for the year ended 31 December 2013.

	Soko Branch Ksh.	Duka Branch Ksh.
Sales	<u>600,000</u>	<u>900,000</u>
Less cost of sales:		
Opening inventory	40,000	140,000
Purchases	<u>347,000</u>	<u>496,000</u>
	387,000	636,000
Closing inventory	<u>(63,000)</u>	<u>(96,000)</u>
	<u>324,000</u>	<u>540,000</u>
Gross profit	276,000	360,000
Expenses	<u>(138,000)</u>	<u>(180,000)</u>
Net profit	<u>138,000</u>	<u>180,000</u>

- (i) Calculate:
- (I) Gross Profit Margin;
- (II) Net Profit Margin;
- (III) Stock Turnover rate.
- (ii) Advise the management on the branch with a better performance. (8 marks)

7. (a) The following information relates to Pewa Limited for the year ended 30 June 2013.

	Ksh.
Sales	3,600,000
Materials	1,080,000
Labour	810,000
Variable overheads	360,000
Fixed overheads	210,000

During the year the factory operated at 50% capacity with an output of 180,000 units. The marketing manager has projected that the sales could double in the next financial year if the selling price could be reduced to Ksh. 17 per unit. This will increase the fixed overheads by Ksh. 50,000.

(i) Prepare:

(I) the income statement for the year ended 30 June 2013.

(II) the projected income statement for the year to 30 June 2014.

(ii) Advise the management on whether the selling price should be reduced as proposed.

(12 marks)

(b) Outline **four** disadvantages of excessive working capital in a business.

(8 marks)

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