



# UGANDA MANAGEMENT INSTITUTE

POSTGRADUATE DIPLOMA IN LOGISTICS AND TRANSPORT  
MANAGEMENT (DLTM) WKD

**SECOND SEMESTER EXAMS 2015/2016**

**MODULE: PLANNING AND BUDGETING**

**Date: Thursday 6 October 2016**

**Time: 09.00 AM – 12.00 NOON**

## INSTRUCTIONS

1. Answer **FOUR** Questions.
2. Question **ONE** of Section A is compulsory and carries 40 marks.
3. Answer any other **THREE** Questions from Section **B**. Each question carries **20 marks**.
4. Write clearly and legibly.
5. **Do not** write anything on the question paper.
6. **Do not** take Mobile Phones into the examination room.
7. Follow the instructions of the examination supervisor.
8. Indicate questions answered on the Answer Sheet in the column of Questions.

This paper consists of 5 printed pages

**SECTION A:****COMPULSORY****40 MARKS****QUESTION ONE**

(a) Planning is one of the ingredients of success in Logistics and transport management. So Logistics and transport managers carry out periodic planning.

- (i) In a formal planning, indicate with examples six steps managers should follow in order to carry out effective planning and implementation. **[12Marks]**
- (ii) Elaborate on any four possible challenges to Planning for a firm in the transport and logistics business. **[8 Marks]**
- (iii) Generate at least one possible solution to each of the challenges in (ii) above **[8 Marks]**

(b) Budgeting is one of the tools managers use to run effectively and successfully their businesses or their organizations.

- (i) As a transport and logistic managers, highlight on what you would put in place in order to ensure that budgeting as a tool of management is well established and used effectively in your organization. **[12 Marks]**
- (ii) Discuss what you perceive as any five benefits you would derive from the budgeting process for the organisation. **[10 Marks]**

**SECTION B: ANSWER ANY THREE QUESTIONS FROM THIS SECTION****QUESTION TWO**

Paul Enterprises is a company selling logistical items along William Street in Kampala. It had the following trial balance for the year ended 30/6/2015.

**PAUL ENTERPRISES TRIAL BALANCE FOR THE YEAR ENDED 30/6/2015**

Details	Debit	Credit
Office equipment (Cost)	13,000,000	
Motor vehicle at cost	18,400,000	
Provision for depreciation		
Motor vehicle		7,360,000

Office equipment		3,900,000
Inventory( 1/7/2014)	49,940,000	
Accounts receivable	41,920,000	
Accounts payable		32,550,000
Cash at Bank	7,510,000	
Sales		183,498,000
Purchases	143,260,000	
Salaries	19,834,000	
Office expenses	8,740,000	
Discounts allowed	1,126,000	
Discount received		1,500,000
Provision for bad debts		2,422,000
Capital		78,000,000
Bad debts	1,500,000	
Drawings	4,000,000	
	<b>309,230,000</b>	<b>309,230,000</b>

Additional information

The trial balance has not incorporated the following:

- Closing inventory was valued at UGX 54,680,000
- Provide for depreciation on Motor vehicle 20 % on cost, equipment 10 % on cost.

**Required:**

Prepare a Statement of Comprehensive income and a Statement of Financial Position for the Year ended 30/6/2015 from the above trial balance. **[20 Marks]**

### **QUESTION THREE**

(a) Identify the major components in determining the cash flows of an investment.

**[6 Marks]**

(b) Nakawa Logistics and Transporters Company Limited have evaluated an investment proposal involving business expansion by adding a garage section to boost its profitability. This expansion is projected to cost UGX 185,000,000/= and usher in the following Cash Inflows:

Years	1	2	3	4
Cash Inflows (UGX)	68,810,000/ =	56,170,000/ =	51,070,000/ =	71,710,000/ =

(i) If the company's shareholders require a 10% return on their investment, Determine the Net Present Value (NPV) of the investment and with reasons advise

the owners as to whether they should drop or carry on the investment project

[10 Marks]

- (ii) Why is NPV preferred to the PBP (Pay Back Period) as an evaluation method of investments? [4 Marks]

**Hint: (Use PV tables provided) or Scientific Calculator**

#### QUESTION FOUR

- (a) Using specific examples, describe the importance of internal controls to the operation of a fleet of vehicles in the logistics business in an organisation. [8 Marks]
- (b) Flexible budgets seem to be more appropriate than fixed budgets in fostering budgetary controls.

Justify the statement and give the meaning of the terms: **Fixed & Flexible Budgets** and **Budgetary Control** as applied in the context of budgeting to achieve desired results. [12 Marks]

#### QUESTION FIVE

The International Accounting Standards Board's Regulatory Framework for the preparation and presentation of Financial Statements requires financial statements to be prepared on the basis that they comply with certain accounting concepts, underlying assumptions and qualitative characteristics.

**Required:**

- a) Elaborate on any two qualitative characteristics of financial statements. (08 Marks)
- b) Briefly explain the meaning of each of the following concepts / assumptions
- i) Going concern (04 Marks)
  - ii) Matching (04 Marks)
  - iii) Business entity concept (04 Marks)

#### QUESTION SIX

- a) How would you describe a cash budget to your Chief executive Officer. (02 marks)
- b) The following information were extracted from Fanya-Na-Nguvu Ltd for the period (all figures in Millions of Shillings)

	Dec 2015 UGX (000,000)	Jan 2016 UGX (000,000)	Feb 2016 UGX (000,000)	Mar 2016 UGX (000,000)	Apr 2016 UGX (000,000)	May 2016 UGX (000,000)	Jun 2016 UGX (000,000)
Sales	160	200	220	260	280	300	360
Purchases	80	120	160	180	220	260	300
Wages	20	24	32	40	48	56	72
Fixed cost	20	20	30	30	30	40	40
Dividends		40					
Capital expenditure			60			80	

**The following additional information was provided:**

- i) Sales are 40% cash, 60% credit. Credit sales are paid one months after sale.
- ii) Purchases are paid the month following the purchase.
- iii) Wages are paid in the current month
- iv) Fixed costs are paid the month after they are incurred.
- v) Dividends are paid three months after they are declared
- vi) Capital expenditure is paid 2 months after it is incurred.
- vii) The opening cash balance in January 2016 is anticipated to be UGX 30,000,000/=

**Required:**

Use the information above to come up with a cash budget for 6 months from January to June. **(16 marks)**

**END**