



# UGANDA MANAGEMENT INSTITUTE

## POSTGRADUATE DIPLOMA IN LOGISTICS AND TRANSPORT MANAGEMENT (DLTM)

### SECOND SEMESTER EXAMS 2017/2018

#### MODULE PLANNING AND BUDGETING IN TRANSPORT AND LOGISTICS

Date: Monday 1 October 2018

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.

***-GOOD LUCK-***

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

- (a) Using any organisation in Uganda of your choice as an example, discuss any five (5) internal controls over cash relevant to that organisation. **[10 Marks]**
- (b) Discuss the importance of budgeting to a logistics organisation **[10 Marks]**
- (c) Twasiima Ltd plans to invest in a project whose initial cost is UGX 50,000,000/=. The project is expected to generate cash inflows of 24,000,000/=, in year one, 14,000,000/= in year two, 24,000,000/= in year three, 6,000,000/= in year four, and 5,000,000/= in year five.
- i.) Determine the Payback period and recommend whether the company should purchase the machine if its preferred payback period is 3 years? **[8 Marks]**
  - ii.) If you are informed that the company's cost of capital is 15%, advise the firm on whether or not to invest in the project using NPV. **[8 Marks]**
  - iii.) What would be your preference where NPV and Payback period conflict and why? **[4 Marks]**

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

Post the following transaction to ledger accounts **[20 Marks]**

- i.) Jan 1<sup>st</sup> Started a new business with UGX 8,000,000/= Cash.
- ii.) Jan 2<sup>nd</sup> Bought goods for sale worth UGX 1,800,000/= for cash
- iii.) Jan 3<sup>rd</sup> Sold goods to customer worth UGX 400,000/= for cash
- iv.) Jan 4<sup>th</sup> Sold goods worth UGX 120,000 to Kwete, a new customer on credit
- v.) Jan 5<sup>th</sup> Paid UGX 500,000/= cash to the land lord for rent
- vi.) Jan 6<sup>th</sup> Bought goods for sale on credit worth UGX 1,000,000/= from to Mukasa.
- vii.) Jan 8<sup>th</sup> Sold goods worth UGX1,100,000/= to Obama a local resident on credit
- viii.) Jan 10<sup>th</sup> Transferred UGX 1,900,000 cash to a newly opened bank account.
- ix.) Jan 12<sup>th</sup> Received a Cheque of UGX 120,000/= from Kwete a debtor
- x.) Jan 14<sup>th</sup> Paid UGX 300,000/= to Mukodo an employee of the organisation.

**QUESTION THREE**

- a) How are prepaid expenses treated in the income statement of an organisation **[2 Marks]**
- b) The following Trial Balance was extracted from the account books of Anti Kale Enterprises as at December 31<sup>st</sup> 2017.

|                               | DR                | CR                |
|-------------------------------|-------------------|-------------------|
| Capital                       |                   | 30,000,000        |
| Sales                         |                   | 22,050,000        |
| Discount Received             |                   | 36,000            |
| Land and Buildings            | 25,500,000        |                   |
| Purchases                     | 12,675,000        |                   |
| Inventory on 1st January 2017 | 3,330,000         |                   |
| Returns outwards              |                   | 300,000           |
| Returns inwards               | 150,000           |                   |
| 6 months bank loan            |                   | 1,800,000         |
| Discount Allowed              | 144,000           |                   |
| Furniture & Fittings          | 1,200,000         |                   |
| Trade Creditors               |                   | 1,134,000         |
| Debtors                       | 150,000           |                   |
| Salaries and Wages            | 5,700,000         |                   |
| Electricity and Water         | 1,125,000         |                   |
| Stationery                    | 906,000           |                   |
| Motor Vehicle Fuel            | 1,350,000         |                   |
| Motor Vehicles at cost        | 10,800,000        |                   |
| 5 year Bank loan              |                   | 9,000,000         |
| Cash at Hand                  | 90,000            |                   |
| Cash at Bank                  | 1,200,000         |                   |
|                               | <b>64,320,000</b> | <b>64,320,000</b> |

**Additional Information**

- (i) Closing stocks as on December 31<sup>st</sup> 2014 was valued at UGX. 7,500,000.
- (ii) Depreciation is to be provided at 10% on Motor Vehicles and at 5% on Furniture and Fittings.

**Required:**

Prepare the income statement and Statement of Financial Position for Anti-kale enterprises **[18 Marks]**

**QUESTION FOUR**

A manufacturing company produces two products namely Q and P using two types of material X and Y. The following information is provided by the company for the year 2018.

**(a) Budgeted sales**

| <u>Product</u> | <u>Quantity</u> | <u>Price</u> |
|----------------|-----------------|--------------|
| Q              | 18,000          | UGX 6,500/=  |
| P              | 20,000          | UGX 8,000/=  |

**(b) Materials used**

| <u>Material</u> | <u>X</u>  | <u>Y</u>  |
|-----------------|-----------|-----------|
| Unit cost       | UGX 600/= | UGX 300/= |
| Quantity used   |           |           |
| Q               | 3         | 6         |
| P               | 5         | 4         |

**Stock of Finished goods:**

| <u>Product</u> | <u>Opening</u> | <u>Closing Stock</u> |
|----------------|----------------|----------------------|
| Q              | 3,000          | 1,500                |
| P              | 2,000          | 2,500                |

**Material stock:**

|   | <u>Opening</u> | <u>Closing Stock</u> |
|---|----------------|----------------------|
| X | 5,000          | 6,000                |
| Y | 4,000          | 3,000                |

**Required**

Prepare the following budgets:-

- (a) Sales budget [3 Marks]
- (b) Production budget [4 Marks]
- (c) Materials in quantity budget to buy [7 Marks]
- (d) Material purchases budget in value [3 Marks]
- (e) Explain the meaning of a 'limiting factor' or 'principal factor' in budgeting [3 Marks]

**QUESTION FIVE**

“Budgeting is a wastage of time in an organization, after all organizations have survived for ages in the past without budgeting, so when you tell me about spending according to the estimates, I take it as nonsense.....” Argued Bosco Katala while appearing before the accountability committee of parliament. Analyze his argument and bring out the costs and advantages of budgeting to an organization as well as the key steps in the budgeting process

**[20 Marks]****QUESTION SIX**

Briefly describe the following in financial Management

- (a) Cash Budget
- (b) A trial Balance
- (c) Duality Concept
- (d) Going Concern Concept

**[20 Marks]****END**