KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF MASTERS IN HUMAN RESOURCE MANAGEMENT

COURSE CODE: HRM 810

COURSE TITLE: ACCOUNTING AND FINANCIAL MANAGEMENT

DATE: 6ᵀᴴ AUGUST, 2021   TIME: 2.00 P.M – 4.00 P.M

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

Section A (COMPULSORY)

QUESTION ONE

a) Human Resource manager work closely with Finance manager of various organizations towards achieving objectives of the concerns by taking appropriate decisions. Describe any **FIVE** human resource decisions which are informed by the financial management aspects **(15mks)**

b) Finance managers perform specific functions in an organization. However these functions may be summed up as financing, investment, liquidity and returns sharing. Explain each of the four functions using appropriate examples **(10mks)**

QUESTION TWO

a) The following trial balance was extracted from the books of James for the year ended on31.12.2019

Particulars	Cr	Dr
Land	375,800	
Capital		200,000
Account receivable & payable	30,000	24,000
Bad debts & provision for bad debts	700	1,500
Returns Inwards & outwards	5,000	3,000
Discounts	4,000	7,000
Purchases & Sales	370,000	600,000
Commission income		10,000
Drawings	8,000	
Inventory 1.1.2019	30,000	
Loan	100,000	
Interest on loan	2,000	
Insurance	3,000	
Wages	6,000	
Carriage inwards	1,000	
Carriage Outwards	4,000	
Furniture (Cost)	20,000	
Motor Car (Cost)	50,000	
Provision for depreciation furniture		3,500
Provision for depreciation motor car		5,500
Bank	45,000	
	954,500	**954,500**

Additional information

i) Closing inventory was 23,000, Drawing in kind form was 6500, Wages unpaid was 2000, Insurance prepaid was 1000, commission income due was 3,000. Depreciate furniture at cost & motor car at book value at 20% & 10% respectively. Increase provision for bad debts at 10% of accounts receivable.

REQUIRED:

i) Prepare income for the year ended 31.12.2019 **(15mks)**

ii) Statement of financial position as at 31.12.2019 **(10mks)**

QUESTION THREE

a) The sales and purchases of Whitesale Co Ltd for the month of May 1992 amounted to Sh 100,000 and Sh. 60,000 respectively. All sales and purchases are on 30 days credit terms. Details of the company's working capital at the beginning and d of May1992 were as follows:

	May 1st 1992	May 31st 1992
	Sh.	Sh.
Debtors	85,000	105,000
Stocks at cost	45,000	35.000
Total current assets	130,000	130,000
Creditors	40,000	63,000
Provision for taxation (Sb. 20,000 payable in December 1992)	20,000	25,000
Proposed final dividend (Payable in June 1992)	30,000	30,000
Bank Overdraft (The limit is sh 35,000 to be reduced - to Sh. 10,000 in September, 1992)	25,000	17,000
Total current liabilities	115,000	135,000

Net Working Capital   15,000   5,000

REQUIRED:

(a) (i) Calculate the liquidity ratio at 31ˢᵗ May, 1992.   **(4mks)**

   (ii) What other information would provide a better test of the company's short term liquidity other than the liquidity ratio?   **(3mks)**

(b) (i) Calculate the debtors turnover rate for May 1992 **(3mks)**

   (ii) What other information would provide a better test of the company's efficiency in collection other than the debtors turnover rate? **(3mks)**

b) Accept –reject decisions, mutually exclusive project decisions as well as capital rationing decisions are among the types of capital budgeting decisions business enterprises may be concerned with. Outline how such decisions are taken when undertaking capital expenditure **(12mks)**

QUESTION FOUR

a) A Ltd. is planning to acquire a new machine and has two alternatives:

		Machine 'M'	Machine 'N'
Cost		£ 20,000	£ 20,000
Estimated life		5 years	5 years
Estimated residual value		NIL	NIL
Estimated net returns			
(before depreciation)	**YEAR**	**£**	**£**
	1	10,000	12,000
	2	8,000	10,000
	3	7,000	8,000
	4	5,000	5,000
	5	5,000	5,000

REQUIRED

a) Based on the return on investment method, which of the two machines should be purchased? **(13mks)**

b) Sources of business finance are broadly classified as internal and external sources as well as long term and short term sources. State and explain any three specific sources from each of the classes. **(12mks)**