

WOMEN'S UNIVERSITY IN AFRICA



Addressing gender disparity and fostering equity in University Education

FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES

MASTERS DEGREE IN BUSINESS ADMINISTRATION

MAIN PAPER

MBA 117: ACCOUNTING AND THE BUSINESS ENVIRONMENT

INTAKE 22: FIRST YEAR SECOND SEMESTER

TIME: 2 HOURS MORNING

INSTRUCTIONS TO CANDIDATES

Answer Question 1 and any other two.

Question 1

The following is the statement of financial position for the same company as at 31 December 2019

	2019	2018	2017	2016
	\$000	\$000	\$000	\$000
Non-current assets		14040		13304
Current assets				
inventory	2784		1860	
Trade receivables	2084		1000	
Cash and cash equivalent	<u>800</u>		<u>600</u>	
Total current assets		<u>5668</u>		<u>3460</u>
Equity and liabilities				
Share capital	4000		8000	
Retained income	<u>6308</u>		<u>2212</u>	
Total equity		10308		8000
Total non-current liabilities				
Long term debt		<u>5750</u>	<u>8000</u>	
Total non-current liabilities			5750	8000
Current Liabilities				
Trade payables	1600		1368	
Bank overdraft	1196		48	
Taxation	432		484	
Dividends	200		200	
accruals	<u>222</u>		<u>452</u>	
Total current liabilities		3650		2552
Total Equity and Liabilities		19708		16764

Required

- (a) Calculate for both years the following ratios in relation to GHT LTD
- 1) Gross profit margin
 - 2) Net profit margin
 - 3) Acid test ratio

- 4) Trade receivable days
- 5) Trade payable days
- 6) Inventory processing days
- 7) Interest cover
- 8) Current ratio
- 9) Debt to equity ratio
- 10) ROE ratio
- 11) ROA ratio

[20]

- (b) Draft a report to the board of Directors in which you provide a commentary on the company's performance. Use the ratios calculated in (a) above as the basis of your commentary

[40]

Question 2

- (a) Your company manufactures four products, Product A, Product B, Product C and Product B. The following financial information relates to these products.

	Product A	Product B	Product C	Product B
Selling Price per Unit (\$)	50	120	180	250
Variable costs	25	75	115	110

Total fixed costs for the four products is \$5000

Required

What is the weighted average contribution margin for the mix? [5]

What is the break even for the product mix? [10]

What is the breakeven in sales? [5]

Question 3

X. Ltd is a garment manufacturing company operating in Bulawayo City. The company's financial information as at 31 December 2018 was as follows;

Account	\$
Freehold Property at cost	180000
Provision for Depreciation for free hold property	45000
Plant and Machinery at cost	97000
Provision for depreciation for plant and machinery	53000
Motor Vehicle at cost	41000
Provision for depreciation of motor vehicles	27000
Trade receivables	34600
Provision for doubtful debts	1200

Trade Payables	5720
Bank	11400
Sales	900000
Sales returns	7000
Purchases	410890
Purchase returns	4000
Wages	138000
Rent payable	10000
Rent receivable	1500
Heating expenses	5720
Communication expenses	3315
Stationery	9195
Repairs to machinery	17600
Discounts allowed	3500
Discounts received	2500
Carriage inwards	4240
Carriage outwards	2500
Inventory	40000
Drawings	29000
Capital	300000

Additional Information

- 1 Inventory at 31 December 2017 costs \$48000
- 2 Depreciation is to be calculated as follows; freehold property at 5% per annum at straight line; plant and machinery at 20% at reducing balance; Motor vehicles at 25% per annum at reducing balance
- 3 Included in trade receivables is a bad debt of \$2000. The provision for doubtful debts is to be 5.5% of trade receivables
- 4 \$700 was owing for heating expenses, and \$300 for stationery. The inventory of unused stationery at 31 December 2019 had cost \$650
- 5 Rent paid in advance was \$3000; rent receivable was owing in the sum of \$350
- 6 The company had taken goods for its own use. The goods had cost \$1400. No entries for this had been made in the books.
- 7 Repairs to machinery paid in advance \$500
- 8 Purchased owing was \$800

Required

Prepare Profit and Loss Statement for the year ended 31 December 2019 [20]

Question 4

Critically evaluate the impact of the ongoing COVID 19 on businesses in Zimbabwe, and also examine some strategies that businesses can adopt to mitigate the negative impact of this disease. [20]

Question 5

Discuss why it is important for managers to study the company's business environment. [20]

END