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# DMI-ST. EUGENE UNIVERSITY

ZAMBIA

DEGREE EXAMINATION – JUNE 2024

Semester: VII

552 MG 72 BUSINESS BUDGETING

Time: 3:00 Hours

Max. Marks: 100

Answer any FIVE Questions (5 x 20 = 100 Marks)

1. a) Prepare a production budget of ABC Ltd from the following information. (10 Marks)

Products	Sales as per sales budget (in units)	Estimated stock (in units)	
		1.7.2007	31.6.2008
A	4,88,000	10000	12000
B	3,75,000	20000	45000
C	6,00,000	50000	25000

- b) Explain the Essential of an effective budgeting. (10 Marks)
2. a) What are the benefits and defects of Zero-based budgeting? (10 Marks)
- b) From the following information prepare a cash budget for the period from January to April

Months	Expected sales	Expected purchase
January	60,000	48,000
February	40,000	45,000
March	45,000	31,000
April	40,000	40,000

Wages to be paid to workers will be K5000 pm cash balance on 1<sup>st</sup> January may be assumed

to be K8000. **(10 Marks)**

3. a) Explain the following budgets **(8 Marks)**
- i. Labour budget
  - ii. Master budget
  - iii. Human resource budget
  - iv. Capital budgeting
- b) A project requires on Investment of K 12,00,000 has 4 years life cash inflows are 4,50,000, 5,40,000, 3,60,000 & 2,82,000. The cost of capital is 11 % calculate IRR. **(12 Marks)**
4. a) Explain the key benefits of budgetary control in project management? **(10 Marks)**
- b) Describe the key criteria for project appraisal? **(10 Marks)**
5. a) Describe three common areas for production decisions and explain their significance. **(10 Marks)**
- b) Enumerate the steps involved in budgetary control. **(10 Marks)**
6. a) Enumerate the meaning and importance of cash budgeting. **(8 Marks)**
- b) Prepare a cash budget from the following information. **(12 Marks)**

Month	Sales	purchases	wages
February	90000	62400	6000
March	96000	72000	7000
April	54000	121500	5500
May	87000	123000	5000
June	83000	134000	7500

**Additional Information:**

- i) 50% of credit sales are realised in the month following the sales and remaining 50% in the second month following creditors are paid in the month following the month of purchase
  - ii) Cash at bank on 1.4.2006 K12500
7. a) Describe the difference between economic feasibility and financial feasibility. **(10 Marks)**
- b) Distinguish between standard costing and budgetary control. **(10 Marks)**