KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2009/2010

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE (LEISURE AND RECREATION MANAGEMENT)

SLR 402: FINANCIAL MANAGEMENT AND ACCOUNTING IN RECREATION AND SPORTS

DATE: TUESDAY 29TH DECEMBER 2009 TIME: 11.00 A.M. – 1.00 P.M.

<u>INSTRUCTIONS</u>

Answer each question in a separate booklet.

Answer **<u>ANY THREE</u>** Questions.

<u>Question One</u>

The following cash details relate to Kool Fitness Ltd.

Month	Sales	Purchases	Operating expenses
	Kes	Kes	Kes
July	102,000	42,000	32,000
August	112,000	44,000	33,000
September	104,000	38,200	36,000
October	116,000	39,800	34,000
November	112,000	43,000	32,000
December	142,000	56,000	38,000

Additional Information:

i) Sales: 10% of monthly total sales are on cash while the balances are on credit. Debtors settle 50% of credit sales in the following month and the balance on the second month.

ii) Purchases: 20% of monthly total purchases are on cash while the balances are on credit. Kool Fitness Ltd settle 50% of credit purchases in the following month and the balance on the second month.

iii) Operating expenses are paid in cash within the month.

iv) Cash balance held at the beginning of July 2008 was Kes 32,000

v) Other cash payments are: Kes 22,000 corporate tax at the end of September, purchase of capital equipment for Kes. 38,000 in November and dividend to the owners in December amounting to Kse 50,000.

Prepare a monthly cash budget for six months from 1st July to 31st December 2008.

(20 marks)

Question Two

a) State and explain any four external sources of short term finance that a sports and recreation entity can use. (12 marks)

b) Outline any two discounted cashflow techniques and describe how they are used to appraise viability of investment alternative. (8 marks)

Question Three

The management of Thika Municipality Stadium plan to attract more spectators during weekends soccer league matches. The stadium has a capacity of 20,000 spectators. The management has received a 15 year 8% p.a. loan of Kes 27 million to upgrade the facility. The stadium maintenance cost and overheads amount to Kes 1.2 million per month. Printing cost per ticket is Kes 60. The management estimates that if the tickets are sold for Kes 250, attendance will be 80% of the stadium capacity. But if the selling price is increased to Kes 300, the attendance rate will be 60%. Assuming eight matches per month, Calculate

i) The break even point in units per month for the two different prices. (8 marks)

ii) The profit per month under the two prices. (8 marks)

iii) Advice the management on what ticket price is preferable. (1 mark)

a) Explain the benefits of Cost - Volume-Profit analysis in financial decision making. (3 marks)

Question Four

The Board of Kasarani Sport Academy has been asked by a funding agency to present audited financial statements alongside their proposal for funding. The Board has approached you for advice on how to go about fulfilling the funding agency's request. Explain to the Board:

a) What a financial audit is. (2 marks)

b) The purpose of a financial audit. (2 marks)

c) Duties of a financial auditor. (8 marks)

d) Content of an auditor's report (8 marks)

Question Five

a) State any five users of accounting information and briefly explain the nature of their information needs. (10 marks)

b) Money serves both as a measure and a resource. Explain the two roles of money in relation to Accounting and Financial Management. (4 marks)

c) State and briefly explain three qualitative characteristics of financial statements. (6 marks)