The PNG University of Technology

School of Business & School of Architecture & Construction Mgt

CM314 (Construction Economic II)

Final Examination, Semester 1 2024

Sui	name Given Name	Stude	nt ID				
Inf	ormation to students:						
a.	This examination is worth 50% of CM314 final gra	nde. You should attem	pt answering all questions				
	to have better scores.						
b.	Use the answer sheet that accompanies this exam	ies this exam paper. No other answer sheet is allowed.					
c.	Fill up the student's information in the cover page	e of the exam answer	sheet. Provide your				
	student identification number correctly.						
d.	Use a real calculator, not your mobile phone. If you are caught using mobile phone during the						
	duration of the examination, you will be charged of cheating and the examiner will ask you to						
	leave the exam venue. Hence, you will be given zero mark for this examination.						
	AM QUESTIONS:						
	t A: Questions requiring short answers		46.004				
1			(3 marks)				
2	section with the control of the cont		(3 marks)				
3	acon polycopic sky cyana y con an analyzant an analyzant and cycle at a size of a fine and a second		(2 marks)				
4	7 p 00 100000		(8 marks)				
5	. What is Project Management in Construction	Business?	(5 marks)				
6	. What are the group categories of Project mar	nagement processes?	(5 marks)				
7	. What is Weighted Average Cost of Capital (W	ACC)	(3 marks)				
8	. What are Financial Statements?		(5 marks)				
9	. What is the objective of Financial Statements		(5 marks)				
Par	t B: Problem Solving						
Pro	blem 1: Assume the following information:						
	E (equity market value)	= 100,000					
	Re (equity cost)	Re (equity cost) = 15% of E					
	D (debt market value)	= 160,000					
	Rd (debt cost)	= 12% of D					
	V (equity market value + debt equity	=					
	Tc (tax rate of corporation)	= 20%					

10. Required: Find V and compute the WACC

(10 marks)

Problem 2: Ana and Boy are co-partners in the A & B Company. Capital balances on January 1 were: Ana \$56,000, and Boy \$48,000. In 2023, the partnership net income was \$24,000. The partnership agreement provides for: (1) salary allowances of \$8,400 to Ana and \$6,000 to Boy; (2) interest allowances of 10% on capital balances at the beginning of the year, and (3) the remainder equally.

11. Compute the division of net income.

(16 marks)

<u>Problem 3</u>: CDA Corporation is in the process of incorporation. Per the articles of incorporation, its authorized capital is K4,000,000 divided into shares of stocks at K10 per share. The number of shares of stock subscribed by the following incorporators are: P = 20,000 shares; W = 10,000 shares; X = 30,000; Y = 24,000 shares; & Z = 16,000 shares.

12. Con each incorporate r the 25%-25% rule.

<u>Problem 4</u>: Miss ABC operates a laundry shop - "Smelly NicePla" at Eriku Lae. She then starts the process of getting the business running by January 1, 2024. On the same month, the following activities took place.

Jan 3: Miss ABC opened the business bank account with BSP Lae and deposited K10,000 as initial capital. She also contributed her personal drier machine costing K1,000 for business use. (hint: use laundry equipment account)

Jan 4: Bought 3 washing machine (@ K2,000 each) at Brian Bell. Paid 50% of the total and the remaining balances are by promissory note payable within 30 days. (hint: use laundry equipment account)

Jan 5: Paid K125 for advertising.

Jan 6: Bought laundry supplies such as detergent, fabric conditioners and plastic for K400 cash.

(Hint: Use laundry supplies account.)

Jan 9: Laundry services done with various customers, K3,000, cash was received.

Jan 10: Paid PNG Water Board for water consumption – K500; and, PNG Power for electricity – K600.

Jan 17: Miss ABC bought more laundry supplies for K900 cash.

Jan 20: Laundry services done with various customers, K3,000, cash was received.

Jan 25: Paid the following salaries and wages: 2 staff-attendants at K500 each; and security guard at K450.

Jan 27: Paid \$900 for a one-year insurance policy that will expire on December 31, 2024.

13. Required: Prepare journal entries to record the January transactions.

(23 marks)

<u>Problem 5</u>: Kina Cooperative is engaged in trading. Per the agreement of all members, 35% of profit of the coop shall be added to the business operations for next year; 50% to be divided among members according to their average capital ratio; and 25% for patronage refund based on the percentage of members' cash purchases.

For December 31, 2023, the accounting records show the following: (a) Net profit for the year, K650,000; (b) Total cash sales, K800,000. The capital balances and cash purchases are:

Members	Beg. Capital	Additional capital	Withdrawals	Cash purchases
E	225,000	25,000	10,000	105,000
F	137,500	17,000	0	185,000
G.	350,000	10,000	25,000	205,000
Н	162,500	7,500	0	135,000
I	175,000	5,000	0	170,000

14. Distribute the net income to members using the average capital

(29 marks)

15. Distribute the patronage refund to members based on their % of cash sales

(17 marks)

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