

MUEO

MOI UNIVERSITY

OFFICE OF THE DEPUTY VICE CHANCELLOR, ACADEMIC AFFAIRS, RESEARCH &
EXTENSION

MOI UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FIRST YEAR SPECIALS/SUPPLEMENTARY EXAMINATIONS

FOR THE DEGREE OF EXECUTIVE MASTER OF BUSINESS ADMINISTRATION

COURSE CODE: MBA 801

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 28TH JULY 2022

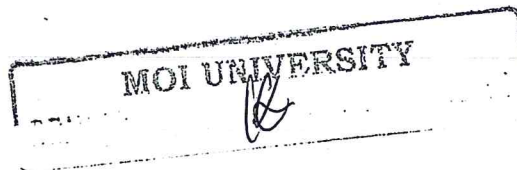
TIME: 9AM – 12 NOON

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE AND ANY OTHER THREE

THIS PAPER CONSISTS OF (4) PRINTED PAGES INCLUDING COVER PAGE PLEASE

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QUESTION ONE (COMPULSORY) (15 MARKS)

- Briefly explain accounting as a process and highlight on the key considerations in financial reporting for a business entity (3 marks)
- Discuss the justifications for existence of accounting function in today's business organizations (4 marks)
- Explain four justifications for end of period/year adjustments as part of accounting process for business organizations (4 marks)
- Identify and explain four main differences between financial accounting and management accounting (4 marks)

QUESTION TWO (TOTAL 15 MARKS)

The following trial balance has been drawn up from the accounts of Bingwa traders as at 31 December 2021.

	Dr Shs.	Cr Shs.
Sales		15,150,000.00
Purchases	10,350,000.00	
Salaries and wages	1,870,000.00	
Office expenses	250,000.00	
Insurance	110,000.00	
Electricity	60,000.00	
Stationery	240,000.00	
Advertising	350,000.00	
Telephone	80,000.00	
Rates	300,000.00	
Discount allowed	10,000.00	
Provision for Bad debts		20,000.00
Rent received		125,000.00
Return inwards	150,000.00	
Return outwards		350,000.00
Stock at 01 Jan 2021	4,600,000.00	
Premises	8,000,000.00	
Fixtures and fittings	500,000.00	
Provision for Fixture & fits.		75,000.00
Debtors and Creditors	480,000.00	750,000.00
Cash in Hand	20,000.00	
Bank balance		1,200,000.00
Capital		11,100,000.00
Drawings	1,400,000.00	
TOTAL	<u>2,877,000.00</u>	<u>2,877,000.00</u>

Additional Information

- Inventory as at 31 December was 2021 was valued at Ksh. 4,100,000.00
- Accrued telephone bill was Kshs. 20,000.00 as at 31 December 2021
- Prepaid Rates were Kshs. 50,000.00 as at 31 December 2021

4. Bad and doubtful debts to be provided for at the rate of 5% of debtors balance
5. Furniture and fittings to be depreciated at the rate of 10% p.a.
6. Rent receivable was Kshs. 25,000 as at 31 December 2021

Required

- a) Income statement for the year ended 31 December 2021 (9 marks)
- b) Statement of financial position as at that date. (6 marks)

QUESTION THREE (TOTAL 15 MARKS)

Mr. Samba started a business of selling children's clothes on 1 July 2020. He commenced the business with a capital of Sh.14,000,000. He deposited this amount in a business bank account. During the year, Mr. Samba made the following payments through the bank account:

	Sh.000"
Purchases of furniture and fittings.	2,450
Salaries	399
Electricity	14
Rent	175
Payment to suppliers	5,460
Drawings	210
Insurance	35

Additional information:

1. Gross profit is 20% of the sales.
2. Total purchases during the year amounted to Sh.8,400,000.
3. Inventory as at 30 June 2021 was valued at Sh.1,400,000.
4. Depreciation on furniture and fittings is provided at 10% per annum on cost.
5. Accounts receivable as at 30 June 2021 amounted to Sh.1,400,000.
6. Rent accrued as at 30 June 2021 amounted to Sh.70,000.
7. On 1 January 2021, Mr. Samba obtained a ten-year loan of Sh.5,600,000 at an interest rate of 12% per annum from the bank. The amount was credited into his business bank account.

Required:

- (a) Income statement for the year ended 30 June 2021 (6 marks)
- (b) Statement of financial position as at 30 June 2021 (5 marks)

QUESTION FOUR (TOTAL 15 MARKS)

The trial balance of Boxes Ltd as at 31st December 2021 was as follows:

	Sh. 000	Sh. 000
Share capital (1,000,000 Sh. 20 ordinary shares)		20,000
8% Preference Shares		5,000
Purchases and sales	122,000	252,000
Accounts receivables and payables	40,000	14,000
Profit and loss balance		38,000
Sales returns	4,000	
Building at cost	80,000	
Plant at cost	100,000	
Provision for depreciation – Plant		35,000

	Building	4,000	
Purchases returns		8,000	
Selling expenses	14,000		
Bank balance	16,000		
10% Debenture		60,000	
Inventory	30,000		
Provision for bad debts		2,000	
Operating expenses	18,000		
Administrative expenses	14,000		
	<u>438,000</u>		<u>438,000</u>

Additional information:

1. Inventory as at 31 December 2020 was valued at Sh 36,000,000
2. A debtor of Shs. 2,000,000 was declared bankrupt. A general provision is to be provided on debtors at the rate of 5%.
3. Debenture interest has not been paid as at 31 December 2021
4. Depreciation is to be provided at the rate of 10% on plant and 2% on building at cost.
5. The directors have proposed a dividend of Shs.2 per share and transfer of Shs. 2,000,000 to general reserves.
6. Corporation tax at the rate of 30% on profits is estimated to be Shs.9,000,000

Required:

- (a) The Income Statement for the year ended 31 December 2021. (9 marks)
- (b) Statement of Financial position as at 31st December 2021. (6 marks)

QUESTION FIVE (TOTAL 15 MARKS)

- a) Describe cash flow statement and the key steps involved in preparation of a cash flow statement for a business organization (10 marks)
- b) Explain four reasons as to why the reported profit figure for the period may differ from the reported net cash flow figure for the same period for the same organization(5 marks)

QUESTION SIX (TOTAL 15 MARKS)

- a) Explain the meaning and four basic purposes for ratio analysis and interpretation of financial statements for a business organization (5 marks)
- b) Identify and explain any four basic accounting concepts that may be applied in preparation of financial reports for a business organization in Kenya (5 marks)
- c) Discuss the meaning of 'conceptual framework of accounting' and the factors that may lead to an impossibility of achieving a universally agreed accounting framework (5 marks)