



MUEO

MOI UNIVERSITY

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

**UNIVERSITY EXAMINATIONS
2016/2017 ACADEMIC YEAR**

END OF SEMESTER II EXAMINATIONS

MASTER OF BUSINESS ADMINISTRATION

EXAM CODE:- MBA 801

COURSE TITLE:- FINANCIAL ACCOUNTING

DATE:- 6TH MARCH, 2017 TIME:- 9.00A.M. – 12.00NOON.

INSTRUCTION TO CANDIDATES

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MOI UNIVERSITY

SCHOOL OF BUSINESS AND ECONOMICS

MBA 801 – FINANCIAL ACCOUNTING

DRAFT EXAM 2016/ 2017 ACADEMIC YEAR

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER THREE

Question One

- (a) Briefly discuss the importance of accounting as a function in a business organization (4 marks)
- (b) Differentiate between management accounting and financial accounting (4 marks)
- (c) Discuss the four main qualitative characteristics of financial statements and reporting (8 marks)
- (d) Write short notes on the following:
- (i) Conceptual framework of accounting information (2 marks)
- (ii) End of year adjustments (2 marks)
- (e) Explain the main benefits of a cash flow statement (5 marks)

(Total 25 marks)

Question Two

The following balances stood in Mr. Akaraga's business books as on 1 September 2016

Cash in hand	Shs.	35,200
Cash in bank		489,000
Stock in hand		140,000
Debtors – Orodi		62,000
Kamau		14,000
Creditors – Musa Traders		140,200

During the month, the following transactions took place:

September	2	bought goods on credit from Musa Traders shs. 48,000
	3	Paid insurance premium in cash shs 26,000
	5	Paid Musa Traders sh. 180,200 by cheque
	9	Bought goods paying them by cheque shs 33,600
	12	Sold goods to Orodi on credit for shs 84,000
	17	Sold goods to Kamau on credit for shs 185,000
	23	Received a cheque from Kamau on account shs159,000 and banked it
	27	Received cash shs 34,000 from Orodi
	28	Paid salaries by cheque 93,000

Required

Prepare a cash flow statement using indirect approach

(15 Marks)

Question Five

The balance sheet of Grand Ltd wholesaler as at 31 December 2015 and 2016 were as follows:
31st December

	2015 Sh '000'	Sh. '000'	2016 Sh. '000'	Sh. '000'
Noncurrent assets (cost)	126,300		162,400	
Depreciation	(50,000)	76,300	(64,000)	98,400
<i>Current assets</i>				
Stock	12,000			
Debtors	10,500			
Cash	<u>1,400</u>			
	23,900			
<i>Current Liabilities</i>				
Creditors	(6,800)		(9,400)	
Taxation	(3,400)		(5,000)	
Proposed dividend	<u>(4,000)</u>		<u>(6,000)</u>	
	(14,200)		(20,400)	
Net current Assets		<u>9,700</u>		<u>10,600</u>
		86,000		109,000
Loans (due for repayment 2020)		<u>(60,000)</u>		<u>(60,000)</u>
		<u>26,000</u>		<u>49,000</u>
Called up share capital		6,000		10,000
Share premium Account		1,000		3,000
Revaluation reserve				
Profit and Loss Account		-		8,000
		<u>19,000</u>		<u>28,000</u>
		<u>26,000</u>		<u>49,000</u>

The stock at 31st December 2016 was Sh. 10,000,000.

The summarized Profit and Loss Account for the company for the years ended 31st December 2015 and 2016 were:

2015
Sh '000'

2016
Sh '000'

Sales	64,000	108,000
Cost of sales	<u>(40,000)</u>	<u>(75,600)</u>
	24,000	32,400
Expenses	<u>(10,000)</u>	<u>(12,400)</u>
Net profit before tax	<u>14,000</u>	<u>20,000</u>

Required

- a) Calculate the following accounting ratios for both years and for each, explain what you can observe from the ratios as at 31st December 2016 and comparing with those of 2015.
- The gross profit percentage (3 marks)
 - The current ratio (3 marks)
 - The quick ratio (Acid ratio) (3 marks)
 - Debtors' collection period in days (3 marks)
 - Gearing ratio (3 marks)
- (Total 15 marks)**

Question Six

Giving examples, write short notes on the following accounting concepts:

- Periodicity (3 marks)
 - Duality (3 marks)
 - Substance over form (3 marks)
 - Materiality (3 marks)
 - Realization (3 marks)
- (Total 15 marks)**

Required

- (a) Determine Mr. Akaraga's business capital on 1st September 2016 (3 marks)
 (b) Write up a two-column cash book for the month of September 2016 and make all relevant postings in the ledger and balance off all accounts (8 marks)
 (c) Extract a trial balance as at 30th September 2013 (4 marks)

(Total 15 marks)**Question Three**

Mr. Xpack is a sole proprietor of a small business in Nairobi town. The following trial balance was extracted from his books at 31 March 2016.

	Sh. '000'	Sh. '000'
Capital		4,896
Freehold land and buildings (at cost)	3,600	
Plant and machinery at cost	3,480	
Provision for depreciation – plant and machinery		1,680
Delivery vans	960	
Provision for depreciation – delivery vans		672
Loose tools at valuation on 1 April 2015	288	
Stocks 1 April 2015	2,232	
Purchases	4,440	
Loose tools	192	
Sales		15,840
Wages and Salaries	5,288	
Rates and Insurance	384	
Repairs and maintenance of buildings	240	
Sales expenses including vehicle running costs	344	
Electricity and power	1,440	
Industrial training levy	72	
Administration expenses	672	
Provision for doubtful debts		240
Debtors and Creditors	1,984	1,928
Drawings	480	
Bank		864
Cash in hand	24	
	<u>26,120</u>	<u>26,120</u>

Additional information:

- Closing stock on 31 March 2016 was Sh.2, 008,000. Loose tools at valuation Sh.384, 000.
- Provision is to be made for the following amount owing on 31 March 2016:
Electricity and power Sh.192,000.
- Payments in advance on 31 March 2016 were as follows: Van licenses Sh.2,520 and rates Sh.13,800.

4. Depreciation on plant and machinery and delivery vans is to be provided at the rate of 20% and 25% respectively on cost at the end of the year.
5. Bad debts amounting to Sh.26,000 are to be written off and the provision for doubtful debts is to be 10% of trade debtors.

Required:

- a) Trading, profit and loss account for the year ended 31st March 2016 (10marks)
- b) Balance sheet as at that date (5marks)

(Total 15 marks)

Question Four

The summarized annual financial statements in respect of Roberts Ltd. for 2015 and 2016 are as follows: -

	31 st October 2016	31 October 2015
Assets	Shs '000'	Shs '000'
Property plant and equipment (Net)	165,000	147,500
Stocks	30,000	25,000
Debtors	15,000	12,500
Prepayments	2,500	5,000
Cash	7,500	10,000
Total Assets	<u>220,000</u>	<u>200,000</u>
 Capital and Liabilities		
Issued share capital (sh. 1per share)	120,000	110,000
Retained profit	67,500	60,000
Creditors	10,000	12,500
Accrued expenses	7500	5,000
Provision for taxation	15,000	12,500
	<u>220,000</u>	<u>200,000</u>

Profit and loss statement for year ended 31 October 2016.

	Shs '000'
Sales from operations	240,000
Cost of sales	165,000
Gross operating profit	75,000
Operating expenses (including depreciation of shs 5,000)	37,500
Net profit before taxation	37,500
Provision for taxation	17,500
Net profit for the year	20,000