



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF MASTERS IN BUSINESS
ADMINISTRATION
1ST YEAR 1ST SEMESTER 2017/2018 ACADEMIC YEAR
NAIROBI CITY LEARNING CENTRE**

COURSE CODE: MBA 803

COURSE TITLE: FINANCIAL ACCOUNTING

EXAM VENUE:

STREAM: (MBA)

DATE:

EXAM SESSION:

TIME:

INSTRUCTIONS

- 1. Answer Question 1 (Compulsory) and ANY other TWO questions**
- 2. Candidates are advised not to write on the question paper**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**

QUESTION ONE

One of the objectives of financial statements is to provide information about the financial position of the business. Describe what you understand by financial position indicating whether it can be relied on as a statement of valuation of the net assets of a business at a point in time

(15 marks)

QUESTION TWO

(a) Financial reporting is performed in the context of conceptual framework

(i) Describe a conceptual framework **(5marks)**

(ii) Financial statements are used to make economic decisions. List five and explain economic decisions for which financial statements are used **(5marks)**

(b) Explain what is meant by accounting cycle. Show the steps involved **(5 marks)**

QUESTION THREE

(a) What do you understand by the term revaluation of assets **(3 marks)**

(b) A company has decided to revalue its building on 30th June 2016. The balance sheet as at 31st December 2015 shows the following information

(i) Building at cost sh 1,500,000

Cumulative depreciation sh 450,000,

Net book value 31st December 2015 sh 1,050,000

(ii) Depreciation has been provided at 2% per annum straight line

iii) The building is not to change in its remaining estimated future life

iv) Revaluation was done on 30th June 2016 for sh 1,380,000

Required:

Show the relevant extract from the final accounts at 31st December 2016 **(12 marks)**

QUESTION FOUR

Capital maintenance is critical to survival of a business. Historical cost accounting used in the preparation of traditional balance sheets has been criticized by financial economists as an inadequate model for the purpose of capital maintenance of a business between two time periods

- a) State what you understand by the term capital maintenance (5 marks)
- b) Describe two examples of capital maintenance (10 marks)

QUESTION FIVE

- (i) What is the definition of an asset (IAS 5) frame work (5 marks)
- (ii) What are the purposes of providing depreciation with regard to assets (IAS4)

(5 Marks)

- (iii) Is depreciation an attempt to set aside funds for the purchase of new asset? If not, what should a business do to provide funds for replacement of asset (5 marks)

QUESTION SIX

- (a) What is impairment of assets (3 marks)
- (b) A company that extracts natural gas and oil has a drilling platform in the Caspian Sea. It is required by legislation of the country concerned to remove and dismantle the platform at the end of its useful life. Accordingly the company has included an amount in its accounts for removal and dismantling costs and is depreciating this amount over the platforms expected life.

The company is carrying out an exercise to establish whether there has been an impairment of the platform.

Its carrying a mount in the balance sheet is K.sh.3, 000,000

The company has received an offer of k.sh.2, 800,000 for the platform from another oil company. The bidder would take over the responsibility (and costs) for dismantling and removing the platform at the end of its useful life

The present value of the estimated cash flows from the platform s continued use is k.sh.3,300,000

The carrying amount in the balance sheet for the provision for dismantling and removal is currently K.sh.600,000

- (i) Determine the value of the drilling platform in the balance sheet (9 marks)
- (ii) What if any is the impairment loss (3 marks)