



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE MASTER OF BUSINESS
ADMINISTRATION
1ST YEAR 2ND SEMESTER 2016/2017 ACADEMIC YEAR
KISUMU CAMPUS

COURSE CODE: MBA 803

COURSE TITLE: FINANCIAL ACCOUNTING

EXAM VENUE;

STREAM: MBA

DATE;

EXAM SESSION: AFTER NOON

TIME: 3 HOURS

Instructions:

- 1. Answer any FOUR 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.

- (a) There are a number of bodies or individuals, other than the owners, who will have an interest in the financial performance statements of a business. List these interested parties and explain briefly the reasons for their interest (7 Marks)
- (b) Describe in detail the accounting cycle of a profit making business organization (8 Marks)

QUESTION TWO

The following are the closing balances as on 31.12.2008 extracted from the books of Mr. Sam Magambo. Prepare Income Statement for the year ended 31.12.2008 and the balance sheet as on that date after making the necessary adjustments: (15 Marks)

Particulars	Shs	Particulars	Shs
Capital account	165000	Interest received from A. Shah	400
Stock on 1.1.2008	70200	Cash at bank	12000
Sales	434400	Discount received	6300
Purchases	364650	Investments	7500
Carriage inwards	27900	Furniture and fittings	2700
Rent and taxes	8550	Discount allowed	13310
Sales returns	12900	General expenses	6000
Salaries	13950	Audit fees	1050
Purchases returns	8700	Insurance	900
Sundry debtors	36000	Travelling expenses	3500
Sundry creditors	22200	Postage and telegrams	4070
Bank loan at 6% P.a. (1.1.08)	30000	Cash in hand	570
Interest paid on above	1350	Deposit with A. Shah on 1.1.08	
Printing and advertising	21900	at 9% p.a.	45000
		Drawings	15000

Adjustments:

1. Stock as on 31 December 2008 was Sh120000
2. Sundry debtors include a sum of Sh3000 due from Mr. Smith and Sundry creditors include a sum of Sh4000 due to Mr. Smith
3. 25% of printing and advertisement were to be carried forward
4. Provide 5% for bad debts and 2% on the balance for discount on prompt payment
5. Write off depreciation at 10% on furniture. Depreciation with respect to an item sold off during the year need not be provided
6. As on 31 December 2008, salaries and carriage inwards that remained unpaid were Sh1200 and Sh150 respectively
7. Insurance paid in advance as on 31 December 2008 was Sh120
8. Furniture of book value Sh900 on 1 January 2008 had been disposed of Sh500 on 30 June 2008. The sales proceeds had been credited to furniture account, but the loss on sale of furniture had not been written off in books

9. Furniture purchases for Sh1000 on 1 January 2008 had been debited in purchases account
10. Purchase of the value of Sh1800 had been omitted to be entered in books
11. Personal purchase of Sh700 made by Mr. Sam Magambo had been included in purchases
12. Provide for interest on deposit with A. Shah and bank loan

QUESTION THREE

Record the following the following transactions in various subsidiary books of M/s Jacaranda Traders for the period ending June 2005. **(15 Marks)**

June 1: Cash in hand Sh15700, cash at bank Sh25400, and capital account sh41100

June 3: Bought goods for cash Sh4000

June 4: Purchased goods from Mahesh and company for Sh5800 less 10% trade discount

June 7: Sold goods to Bindia and Company for cash Sh8900 less 20% trade discount

June 9: Withdrew Sh5000 from bank for private use

June 12: Sold goods to Amjad for Sh6400

June 15: Sh15000 paid to Mahesh and company in full settlement of their account

June 18: Goods worth Sh400 returned by Amjad

June 20: Received Sh4000 from Amjad

June 21: Purchased furniture for Sh800 from Subject furniture house on credit

June 26: Paid into bank Sh2200

June 28: Amjad declared insolvent, a first and final dividend of 50 cent on a shilling is received from him

June 29: Goods worth Sh600 returned to Shiv and Company

June 30: Interest on capital provided Sh411

June 30: Goods worth Sh400 taken by the proprietors for their personal use

June 30: Paid salaries to staff Sh1800

June 30: Cash sales Sh21800

June 30: Paid into bank Sh20000

June 30: Bought 100 shares in Hind mills limited at Sh11 per share. Brokerage paid Sh25

June 30: Received Sh5900 from Bindia and Company diacount allowed Sh100

QUESTION FOUR

From the following balance sheet of Kazungu Ltd As on March 31st 2014, Calculate;
(15 Marks)

- i) Current Ratio
- ii) Quick Ratio
- iii) Absolute Liquidity Ratio
- iv) Ratio of inventory to Working Capital
- v) Ratio of Current Assets to Fixed Assets
- vi) Debt to Equity Ratio
- vii) Proprietary Ratio
- viii) Capital Gearing Ratio
- ix) Fixed Asset ratio

Kazungu Ltd.
Statement of financial position
As at 31st March 2014

Assets	Shs
Goodwill (At cost)	500000
Plant and Machinery	600000
Land and Building	700000
Furniture and Fixtures	100000
Stock-in-Trade	600000
Bills Receivable	30000
Debtors	150000
Bank	200000
Marketable Securities	<u>20000</u>
	<u>2900000</u>
Liabilities	
Equity Share Capital	1000000
6% Preference Share Capital	500000
General Reserve	100000
Profit and Loss Account	400000
Provision for Tax	176000
Bills Payable	124000
Bank Overdraft	20000
Creditors	80000
12% Debentures	<u>500000</u>
	<u>2900000</u>

QUESTION FIVE

A Limited Company purchased on 1st January 1975 a second hand plant for Sh240000 and immediately spent Sh160000 on its overhauling. On 1st July, in the same year additional plant costing Sh200000 was purchased. On 1st July 1977, the plant acquired on 1st January 1975 having become obsolete was sold off for Sh80000. On the same date fresh plant was purchases at a cost of Sh480000.

Depreciation is provided at the rate of 10% per annum on original cost on 31st December every year. In 1978 however, the company changed this method of providing depreciation and adopted the method of writing off 15% per annum on the diminishing value method.

Required:

Show the plant account as it would appear at the end of each year from 1975 to 1980
(15 Marks)

QUESTION SIX

- (a) Explain three roles of the International Accounting Standards Board **(3 Marks)**
- (b) Distinguish between accounting standard and accounting practice **(4 Marks)**
- (c) Depreciation is an allocation of the cost that is calculated using an asset's acquisition cost, its expected life, and expected residual value. In your own understanding, discuss the need for providing depreciation in a business organization. Also explain the effects of depreciation on; (a) Profit and Loss Account and (b) Balance Sheet **(8 Marks)**