



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION
1ST YEAR 1ST SEMESTER 2024/2025 ACADEMIC YEAR
MAIN CAMPUS/KISUMU CAMPUS

COURSE CODE: MBA 803

COURSE TITLE: Financial Accounting

EXAM VENUE:

STREAM: (MBA)

DATE:

EXAM SESSION:

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

(15 MARKS)

a) Accounting for depreciation of assets rely on known and established method for depreciation. Provide a detailed and clear difference between the double declining balance and the sum of year's digits methods of depreciation for assets. (3marks)

b) A piece of property plants and equipment (PP&E) costs ksh 2,500,000 and has estimated useful life of 8 years and 250,000 salvage value

Required :

Using double declining balance method;

i) calculate the rate of depreciation. (2 marks)

ii) Compute a depreciation schedule or chart for the 8 years during when the PP&E life (4 marks)

c) Provide a detailed comparison between double declining balance and straight line methods of depreciation for assets. (4 marks)

d) Distinguish amortization from depreciation (2 marks)

QUESTION TWO.

(15 MARKS)

a) Preparation of accounting statements employ the use of accounting policies and principles ; with examples, provide a clear difference between accounting policies and accounting principles. (5 marks)

b) The Generally Accepted Accounting Principles (GAAP) provide guidelines followed when preparing accounting statements; explain the following accounting policies

i) Going concern.

ii) Materiality

iii) Conservatism

iv) Matching principles

v) Accrual. (10 marks)

QUESTION THREE

(15MARKS)

The following trial balance was obtained from the books of Space Ltd for the year ending 31 December 2023.

Dr.	Cr
Ksh 000.	Ksh 000

Motor vehicle	5,000.	
Furniture, fittings and fixtures.	4,000	
Stock (1/1/2023)	3,000	
Sales.		40,000
Purchases	30,000	
Returns.	3,000.	2,000
Discounts.	4,000.	2,000
Debtors & Creditors.	9,000.	5,000
Bad debts.	2,000	
Provision for bad & doubtful debts.		600
Motor vehicle expenses.	2,000	
Rent.	600	
Salaries & Wages	2,000	
Electricity & Water.	1,600	
Telephone.	400	
Carriage Inwards.	300	
Carriage Outward.	400	
Drawings.	4,000	
Capital.		15,300

Additional information

a) stock on 32/12/2023 amount to ksh 4,000,000

b) provision for bad & doubtful debts is at 5% of the current debtors

c) Motor vehicle expenses outstanding is ksh 400,000, rent paid in advance is ksh 200,000 while pre paid salaries and wages was 300,000

d)A quarter of telephone bill paid relates to the year 2024

e)Electricity and water unpaid amount to ksh 200,000

f) Depreciation is provided on motor vehicle & fixtures at 20% and 10% respectively

Required:

i) income statement for the year ending 31st December 2023. (10 marks)

ii) financial position statement as at 31st December 2023. (5 marks)

QUESTION FOUR (15 MARKS)

Accounting cycle approach is an important procedure in operating accounting services in a commercial firm

a) Explain clearly the statement accounting cycle (2marks)

b) On 1 January 2018 Martin Company issued 50,000 shares of common stock for cash each ksh 20 per share. The company also made the following transactions in January

Date.	Transaction
Jan 2.	Purchased office supplies at Ksh 10,000 on account
Jan 5.	Paid cash on purchase of machinery costing ksh 500,000
Jan 17.	Paid cash for the accounts payable on the office supplies purchased on January 2
Jan 20.	Provided services on account for Ksh 200,000
Jan 25.	Miscellaneous expenses paid during the month amounted to ksh 30000

Required:

i) Record the transactions in a general Journal. (6 marks)

ii) Prepare Cash Account

iii) Prepare Account Payable Account

iv) Prepare Office Supplies Account (7marks)

QUESTION FIVE (15 MARKS)

Explain the values of financial accounting and financial statements to the following users

a) Investors

b) Auditors

c) Regulatory agencies

d)Suppliers

e) Banks

(15 marks)