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*(Knowledge for Development)*

# **KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2020/2021 ACADEMIC YEAR**

**SPECIAL/SUPPLEMENTARY EXAMINATION**

**FOR DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DBF 100**

**COURSE TITLE: FINANCIAL ACCOUNTING AND ANALYSIS**

**DATE: 11<sup>TH</sup> FEBRUARY, 2021    TIME: 8.00AM – 10.00AM**

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## **INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours



KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

## QUESTION ONE

- a) i) Name and explain the term Ratio analysis (2 marks)  
 ii) Name and explain four types of Ratios that you know (8marks)

b) The following is the Financial of PLC Manufacturing Company.

Plc Manufacturing Co ltd Balance sheet as at 31<sup>st</sup> December 2002

<b>Assets</b>	<b>Shs</b>	<b>Capital and Liabilities</b>	<b>shs</b>
Plant and Machinery	1,000,000	Share Capital:	
Less accumulated depn	250,000	Equity share Capital	
Plant and machinery net	750,000	(35,000 shares)	350,000
Goodwill	140,000	8% Preference share capital	200,000
Stock	150,000	Reserves and Surplus	200,000
Debtors	100,000	Long term loan (6%)	100,000
Prepaid Expenses	25,000	Debentures (7%)	250,000
Marketable Securities	75,000	Creditors	60,000
Cash	25,000	Bills payable	20,000
		Accrued Expenses	20,000
		Provision for tax	65,000
	<b>1,265,000</b>		<b>1,265,000</b>

### PLC Manufacturing Account Profit and Loss Account for The year ended 31<sup>st</sup> December 2002

	<b>Shs</b>		<b>shs</b>
<b>Opening stock</b>	<b>175,000</b>	<b>Sales: Credit</b>	<b>1,200,000</b>
		Cash	300,000
Add Manufacturing cost	1,075,000		1,500,000
	1,250,000		
Less Closing stock	150,000		
Cost of goods sold	1,100,000		
Gross Profit	400,000		
	1,500,000		1,500,000
General administrative		Gross Profit	400,000
Expenses	35,000	Other Incomes	9,000
Selling Expenses	25,000		
Depreciation	50,000		
Interest	23,000		
Income tax	126,000		

Net profit	150,000		
	409,000		409,000
Preference Dividend	16,000	Reserves beginning balances	118,500
Equity dividend	52,500	Net Profit during the year	150,000
Reserves Ending balance	200,000		
	268,500		268,500

Required: From the above information Calculate the following ratios:

- i) Current Ratio (2 marks)
- ii) Debt Equity Ratio (2marks)
- iii) Interest coverage Ratio (2 marks)
- iv) Inventory Turnover Ratio (2marks)
- v) Fixed Asset Turnover (2 marks)
- vi) Capital employed turnover ( 2marks)
- vii) Gross margin ratio (2 marks)
- viii) Net profit Margin (2 marks)
- ix) Earnings per share (2 marks)
- x) Dividend per Share (2 marks)

**( Total 20 marks)**

### QUESTION TWO

- a) List and explain the objectives of Financial statements (10 marks)
- b) You have been invited to give a briefing on the Qualitative characteristics of a good corporate Report.Discuss. (10 marks)

**(Total 20 marks)**

### QUESTION THREE

- a) List and explain the advantages of accounting standards (10 marks)
- b) It may prove difficult in applying accounting standards to all corporate reports.What are the disadvantages of accounting standards.(10marks)

**(Total 20 marks)**

### QUESTION FOUR

International Accounting Standard 1(IAS) Requires Companies to observe certain rules in preparing published financial Reports. Discuss ( 20marks)

**(Total 20 marks)**