



(Knowledge for Development)

## **KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER**

**MAIN EXAMS**

**FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION**

**COURSE CODE: MBA 803**

**COURSE TITLE: FINANCIAL REPORTING AND CONTROL**

**DATE: 6<sup>TH</sup> JUNE, 2022**

**TIME: 9.00AM - 12NOON**

---

### **INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other THREE (3) Questions in Section B
2. Question **one** carries **40** marks and each of the other THREE questions carry **20** marks each.

**TIME: 3 Hours**



**QUESTION ONE (40 MARKS)**

- a) Distinguish between Journalizing and Posting. **(5 marks)**
- b) Describe the procedure of bank reconciliation **(5 marks)**
- c) Explain users of accounting information and the kind of information that they are interested in **(5marks)**
- d) Highlight any FIVE fundamental Accounting concepts **(5 marks)**
- e) Write up the asset, capital and liabilities accounts in the books of Khetias Enterprise to record the following transactions.
- 2021
- June 1 Started business with Kshs 500,000.00in the bank
- June 2 Bought motor van paying by cheque Ksh 120,000
- June 5 Bought office fixtures Ksh 40,000 on credit from Young Limited
- June 8 Bought motor van from supper motors Kshs 80,000
- June 12 Took kshs 10,000 out of bank and put it into the cash till
- June 15 Bought office fixtures paying by cash Ksh 6,000
- June 19 Paid Supper Motors a cheque for Kshs 80,000
- June 21 A Loan of Kshs 100,000 cash is received from J Jarvins
- June 25 Paid Kshs 80,000 of the cash in hand into the Bank account
- June 30 Bought more office fixtures paying by cheque Kshs 30,000 **(20mrks)**

**(Total 40MRKS)**

## QUESTION TWO

The following was extracted from the books of Joel Mbugua sole trader as on 30th June 2013

	Shs	shs
Capital		2,100,000
Freehold land and building	980,000	
Furniture and fittings at cost	210,000	
Motor vehicle at cost	406,000	
Provision for depreciation 1 July 2012		
Furniture and fittings		140,000
Motor vehicle		280,000
Stock in trade	854,000	
Purchases and sales	8,218,000	9,702,000
Debtors and creditors	819,000	608,000
Rent received		38,500
Special loan from Sam Ogombe @ 5% p.a		168,000
Loan interest outstanding 1 July 2012		4,200
Discount allowed and discount received	184,800	129500
Provision for Bad and doubtful debts 1 July 2012		15400
Bad debts written off	45,500	
Wages and salaries	986,300	
Drawings	224,000	
Motor vehicle running expenses	80,000	
General expenses	411000	
Balance at bank	95,200	
Rates and insurance	42,000	
	<u>13,185,900</u>	<u>13,185,900</u>

The following information is available

1. Stock ton 30th June 2013 sh. 1,190,000
2. Items due at 30<sup>th</sup> June 2013 wages and salaries shs. 58,000, General expenses shs. 9100
3. Rates and insurance prepaid as at 30<sup>th</sup> June 2013 shs 10,500
4. No interest was paid on loan from Sam Ogombe during the year
5. The provision for bad and doubtful debts is to be adjusted to 5% of the total debtors
6. Depreciation should be provided on reducing balance as follows  
Furniture and fittings 5%  
Motor Vehicles 25%
7. Part of the freehold buildings was let to a tenant who owed sh 3,500 at 30<sup>th</sup> June



2013

Required

- (a) Income statement for the year ended 30<sup>th</sup> June 2013(10mrks)  
(b) Statement of Financial position as at 30<sup>th</sup> June 2013(10mrks)

(Total 20 Marks)

### QUESTION THREE

The following trial balance was extracted from the Books of Chunga Mali Ltd as at 31.12. 2019

	Sh.'000'	Sh.'000'
Authorized issued and paid up		
Capital (ordinary shares of sh.20 each)		30,000
Share premium account		2,100
Profit and loss account 1 January 2019		6,430
Motor vehicles (cost sh. 6,000,000)	3,600	
Freehold properties at cost	18,000	
Purchases	80,276	
Sales		121,492
Goodwill	3,500	
Provision for bad debts; Jan 2019		300
Bad debts	400	
Bank loan. at 15% per annum ;		6,000
Loan interest accrued at 1 Jan 2019		900
Trade debtors and creditors	18,700	7,290
Rent receivable		1,000
Motor vehicles expenses	930	
General expenses	5,266	
Bank balances	6,188	
Salaries and wages	21,872	
Rates and insurance	794	
Stock on January 2019	<u>15,986</u>	
	<u>175,512</u>	<u>175,512</u>

The following information is available;

1. Stock in trade on 31<sup>st</sup> December 2019 was sh. 16,850,000
2. The provision of bad debts is to be increased to sh.450,000
3. Salaries and wage outstanding on31 December 2019 amounted to sh. 120,000
4. Rates and insurance paid in advance sh.180,000
5. Rents receivable of sh. 1,000,000 includes sh.200,000 in respect of the period 1 January 2020 to 30 April 2020
6. It is the company's policy to depreciate motor vehicles at the rate of 20% per annum at cost.
7. Interest on bank loan has not been paid
8. Corporation tax on profit for the year is estimated at sh.3,575,000
9. A sum of sh. 2,000,000 is to be transferred to revenue reserve account

10. Ordinary dividend of sh. 2 per share is proposed

**Required:**

Income statement for the year ended 31 .12 2019

(10marks)

Statement of financial position as at 31 .12. 12019

(10marks)

**(Total 20Marks)**

**QUESTION FOUR**

- a) Explain the term 'bank reconciliation and state the reasons for its preparation. (6mks)
- b) Ssemakula, a sole trader received his bank statement for the month of June 2017. At the date the bank balance was sh706,500, whereas his cash book balance was sh 2,336,500, his accountant investigated the matter and discovered the following discrepancies;-
1. Bank charges of sh3000 had not been entered into the cashbook.
  2. Cheques drawn by Ssemakula totaling sh. 22,500 had not yet been presented to the bank.
  3. He had not entered receipts of sh 26,500 in his cashbook.
  4. The bank had not credited Mr. Ssemakula with receipts of Sh 98500 paid into the bank on 30<sup>th</sup> June 2017
  5. Standing order amounting to Sh 62,000 had not been entered in the cash book
  6. A cheque for Sh 15000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cash book
  7. Ssemakula had brought forward the opening cash balance of ksh 329250 as a debit balance instead of a credit balance
  8. An old cheque payment amounting to Sh 44000 had been written back in the cashbook but the bank had already honoured it.
  9. In the cashbook Ssemakula had entered a payment of Sh 74,900 as Sh 79,400
  10. Some of the Ssemakula's customers had agreed to settle their debts by paying directly into his bank account. Unfortunately the bank had credited some deposits amounting to Sh 832,500 to another customers account. However, acting on information from his customers Ssemakula had actually entered the expected receipts from the debtors in his cash book

**Required:**

Adjusted cashbook and bank reconciliation statement as at 30<sup>th</sup> June 20017

(14Mrks)



## QUESTION FIVE

Kimeu commenced his business of making furniture on 1<sup>st</sup> April 2015. Due to his limited accounting knowledge he has not maintained proper books of account. You have been engaged to examine his records and prepare appropriate accounts there from. You perform an examination of the records and from interviews with Kimeu, you ascertain the following information.

1. On commencement of business on 1<sup>st</sup> April 2015 he deposited Sh 1,200,000 into a business bank account. On the same day he brought into the firm his pickup and estimated that it was worth Sh.660, 000 then and that from 1<sup>st</sup> April 2015 it will have useful life of three years.
2. To increase his working capital he borrowed Sh. 400,000 at 15% interest per annum on 1 July 2015 from his sister but no interest has yet been paid.
3. On 1<sup>st</sup> April 2015 Sally was employed as a clerk at a salary of sh.720, 000 per annum.
4. He had drawn Sh. 18,000 per week from the business account for private use during the year (52 weeks).
5. He purchased timber worth Sh. 1,960,000 out of which Sh. 158,000 worth of stock was retained in the workshop on 31 March 2016. He also spent Sh.960,000 on the purchase of some equipment at the commencement of the business which he estimates will last him five years,
6. Electricity bills received up to 31 January 2016 were Sh.240, 000. Bills for the remaining two months were estimated to be Sh.48, 000. Motor vehicle expenses were Sh. 182,000 while general expenses amounted to sh 270, 000 for the year.  
Insurance premium for the year to 30 June 2016 was Sh. 160,000. All these expenses have been paid by cheque.
7. Rates for the year to June 2016 were Sh.36,000 but these had not been paid
8. Sally sent out invoices to customers for Sh.6, 178,000 but only Sh.5, 080,000 had been received by 31 March 2016. Debts totalling to Sh. 17,000 were abandoned during the year as bad. Other customers for jobs too small to invoice have paid Sh 726,000 in cash for work done of which Sh.560, 000 was banked. Kimeu used Sh.75, 000 of the difference to pay for his family's food stuff, bought Kenya Charity Sweepstake tickets worth Sh.24,000 and Sally used the rest on general expenses except Sh.30,100 which was left over in the drawer in the office on 31 March 2016.
9. You agree with Kimeu that he will pay you sh 55,000 for accountancy fee.

### Required: Prepare

- a) Profit and loss account for the year ended 31 March 2016 (12 Marks)
- b) Balance sheet as at 31 March 2016 (8Marks)