



(Knowledge for Development)

**KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS**

2021/2022 ACADEMIC YEAR

MAIN EXAM

FOR THE DIPLOMA IN BUSSINESS MANAGEMENT

COURSE CODE: DBF 100

COURSE TITLE: FINANCIAL REPORTING AND ANALYSIS

DATE: 13TH MAY, 2022

TIME: 9.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question one carries 30 marks and each of the other two questions carry 20 marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

SECTION A(30marks)

a) The importance of financial reporting cannot be over emphasized. It is required by each and every stakeholder for multiple reasons & purposes. Discuss various importance of financial reporting (10 marks)

a) You have been invited to discuss the characteristics of a good corporate Report. **Discuss the characteristics of Corporate Reports.(10marks).**

a) The following is the Financial of SOKO Manufacturing Company. SOKO Manufacturing Co ltd Balance sheet as at 31st December 2020

Assets

Shsshs

Plant and Machinery	1,000,000
Less accumulated depn	250,000
Plant and machinery net	750,000
Goodwill	140,000
Stock	150,000
Debtors	100,000
Prepaid Expenses	25,000
Marketable Securities	75,000
Cash	25,000

Capital and Liabilities

Share Capital:

Equity share Capital (35,000 shares)	350,000
8% Preference share capital	200,000
Reserves and Surplus	200,000
Long term loan (6%)	100,000
Debentures (7%)	250,000
Creditors	60,000
Bills payable	20,000
Accrued Expenses	20,000
Provision for tax	65,000
	1,265,000

1,265,000

**PLC Manufacturing Account Profit and Loss Account for
The year ended 31st December 2002**

Shsshs

Opening stock	175,000
Add Manufacturing cost	1,075,000
	1,250,000
Less Closing stock	150,000
Cost of goods sold	1,100,000
Gross Profit	400,000
	1,500,000
General administrative Expenses	35,000
Selling Expenses	25,000

Sales: Credit	1,200,000	
Cash	300,000	1,500,000

	1,500,000
Gross Profit	400,000
Other Incomes	9,000

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) Inventory Turnover Ratio (2marks)
- iv) Fixed Asset Turnover (2 marks)
- v) Capital employed turnover (2marks)

(Total 20marks)

QUESTION 2

a) All registered companies must submit annual returns to the Registrar of companies on an annual basis. The annual return includes the final accounts. Explain three primary financial statements almost always comprise the final accounts **(6marks)**

b) Discuss the purpose of a preliminary Trial balance. **(4marks)**

a) Discuss any four accounting concepts and for each explain their implication in the preparation of financial statements. **(10marks)**

(Total 20marks)

QUESTION THREE

a) State and explain typical components of financial reporting **(10marks).**

b) Numerous techniques are used to analyse and interpret the financial statements. Techniques of analysis of financial statements are mainly categorized into three types; State and explain the techniques **(6Marks)**

c) State and explain any two limitation of accounting and financial reporting **(4 marks)**

(Total 20marks)

QUESTION FOUR

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

QUESTION FIVE

a. Explain the objectives of Financial statements **(10marks)**

b. Discuss the users of financial statements. **(6marks)**

c. Distinguish between Accruals and Prepayments. **(4marks)**

(Total 20marks)