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(Knowledge for Development)

**KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS**

2021/2022 ACADEMIC YEAR

SPECIAL/SUPPLEMENTARY EXAM

FOR THE DIPLOMA IN BUSSINESS MANAGEMENT

COURSE CODE: DBF 100

COURSE TITLE: FINANCIAL REPORTING AND ANALYSIS

DATE: 28TH JULY 2022 TIME: 8.00AM – 10.00AM

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	Capital and Liabilities
Shsshs	
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
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	Sales: Credit	1,200,000
		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		
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:

- Current Ratio (2 marks)
- Debt Equity Ratio (2marks)
- Inventory Turnover Ratio (2marks)
- Fixed Asset Turnover (2 marks)
- Capital employed turnover (2marks)

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)

QUESTION 3

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)

QUESTION 4-(20marks)

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

QUESTION 5 (20marks)

- a. Explain the objectives of Financial statements (10marks)
- b. Discuss the users of financial statements. (6marks)
- c. Distinguish between Accruals and Prepayments. (4marks)