



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

SPECIAL/SUPPLEMENTARY EXAMS

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

COURSE CODE: MBA 803

COURSE TITLE: FINANCIAL REPORTING AND CONTROL

DATE: 15TH JULY, 2022

TIME: 11.00AM - 2.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One and any other THREE (3) Questions

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of Printed Pages. Please Turn Over.

QUESTION ONE (40 MARKS)

- a) Define the term petty cash book and briefly discuss the imprest system of maintaining the petty cashbook. (5 marks)
- b) Briefly state and explain five timing differences resulting from the bank statement that may prompt an accountant or a manager to prepare a bank reconciliation statement(5 marks)
- c) State and explain users of accounting information and the kind of information that they are interested in (5marks)
- d) Briefly explain the Accounting cycle (5 ½ marks)
- e) **Highlight the seven rules of making entries in ledger Accounts** (3 ½ marks)
- f) What are the benefits of cashflow statements(6marks)
- g) List any 10 International Accounting Standards(IASs) (5 marks)
- h) Explain the procedure of Disposal of Assets by sale (5marks)

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	129,500
Provision for Bad and doubtful debts 1 July 2012		15,400
Bad debts written off	45,500	
Wages and salaries	986,300	
Drawings	224,000	
Motor vehicle running expenses	80,000	
General expenses	411,000	
Balance at bank	95,200	
Rates and insurance	<u>42,000</u>	
	<u>13,185,900</u>	<u>13,185,900</u>

The following information is available

1. Stock on 30th June 2013 sh. 1,190,000
2. Items due at 30th June 2013 wages and salaries shs. 58,000, General expenses shs. 9100
3. Rates and insurance prepaid as at 30th 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 3500 at 30th June 2013

Required

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

QUESTION THREE

The accountant of Venture limited extracted the following trial balance as at 30th April 2016

	sh '000'	sh '000'
Land and building at cost	355,000	

Plant and machinery at cost	558,000	
Provision for deprecation		158,000
Motor vehicle at cost	685,000	
Provision for deprecation		125,000
Furniture and equipment at cost	188,000	
Provision for deprecation		78,000
Stock as at 1 may 2015	320,000	
Trade debtors and creditors	430,000	333,000
Cash at bank	108,000	
Purchases and sales	1,840,000	2,980,000
Salaries and wages	420,000	
Rent and rates	125,000	
Office expenses	84,000	
Bank charges	12,600	
Telephone and postage	16,350	
Vehicles running expenses	230,000	
Repairs and maintenance	6,850	
Issued share capital		800,000
Profit & loss acc 1 may 2015		814.800
Share premium		<u>150,000</u>
	<u>5,438,800</u>	<u>5,438,800</u>

1. The closing stocks were valued at 432,600,000.
 2. Goods sold at sh. 1,500,000 were returned on 30th April 2016 but the transaction was not recorded in the book. Their cost was sh. 1,200,000. The goods were received after the stock taking was completed.
 3. Accrued wages and telephone bills were to sh.2, 500,000 and sh. 6,250,000 respectively.
 4. Depreciation of the fixed assets is calculated on reducing balance at the following rates :

Plant and machinery	20% per annum
Motor vehicle	25% per annum
Furniture and fittings	15% per annum
 5. Prepaid rates amounted to sh. 2,000,000.
 6. The directors have proposed dividend of 10% on the issued capital and transfer of sh.200,000,000 to general reserve
- Required prepare:
- a) Trading, profit and loss account for the year 30th April 2016 (10 Marks)
 - b) Balance sheet as at 30th April 2016. (10 Marks)

(Total 20 Marks)

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 2,366,500, 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 30th June 2017
 5. Standing order amounting to Sh 62000 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 329250 as a debt 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 74900 as 79400
 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 30th June 2017

QUESTION FIVE

- a) Briefly explain three reasons why net profit from ordinary activities differs from cash flow generated from operations.(3mrks)
- b) Home marketing sells a single product ~wonder home~ exclusively through personal marketing. Shown below are comparative income statement and balance sheet for the last two years,

Income statement for the year ended 31st December

2016	2017
000	000

Sales	500000	350000
Less: cost of sales	200000	140000
Gross profit on sales	300000	21000
Less: operating expenses	260000	243000
Loss on sale of marketable securities	-----	1000
Net income (loss)	40000	(34000)

Home marketing ltd
Balance sheet as at 31st December

	2016	2017
	Sh 000	Sh 000
Assets		
Cash and cash equivalent	1000	60000
Marketable securities	20000	5000
Account receivable	40000	23000
Inventory stock	120000	122000
Plant and equipment	300000	285000
	490000	495000
Liability and shareholders' equity		
Account payables	50000	73000
Accrued expenses payable	17000	14000
Note payable	245000	253000
Share capital per sh 10	10000	11000
Share premium	20000	25000
Retained earnings	58000	20000
	490000	495000

The following information regarding the company's operations in 2017 is available from the company's accounting records

- 1) Early in the year the company declared and paid a total of sh 4,000,000 as dividends
- 2) The company purchased plant asset for sh 20,000,000, paying sh 2,000,000 in cash and issuing a note payable for sh 18,000,000

Required:

Cash flow statement in accordance with international accounting standards (17mrks)