

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR MASTER OF BUSINESS ADMINISTRATION

MBAD 611: FINANCIAL ACCOUNTING

STREAM:

TIME: 3 HRS

DAY: MONDAY [12.30-15.30 P.M]

DATE: 14/04/2025

THIS QUESTION PAPER CONSISTS OF FOUR (4) PAGES

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Instructions to candidates:

Answer question **ONE** and any other **Two**

QUESTION ONE

Describe the scope of financial accounting and explain how this scope can guide executives in making strategic investments, evaluating performance, and ensuring regulatory compliance

(8 marks)

- a) Explain the disadvantages of accounting standards. **(2 marks)**
- b) Clearly describe the “**conceptual framework of accounting**” and its relevance in corporate management, **(2 marks)**
- c) **Below is a trial balance for Hezron, a Sole proprietor. Trial Balance As At 31 May 2019**

	Dr	Cr
	Shs.	Shs.
Property at cost	90,000	
Equipment at cost	57,500	
Provision for depreciation (as at 1 June 2018)		
Property		12,500
Equipment		32,500
Stock as at 1 June 2018	27,400	
Purchases	259,600	
Sales		405,000
Discounts allowed	3,370	
Discounts received		4,420
Wages and salaries	52,360	
Bad debts	1,720	
Loan interest	1,560	
Carriage out	5,310	
Other operating expenses	38,800	
Trade debtors	46,200	
Trade creditors		33,600
Provision for bad debts		280
Cash on hand	151	
Bank overdraft		14,500
Drawings	28,930	
13% loan		12,000
Capital, as at 1 June 2018		<u>98,101</u>
	<u>612,901</u>	<u>612,901</u>

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The following additional information as at 31 May 2019 is available:

- (a) Stock as at the close of business was valued at Shs.25, 900.
- (b) Depreciation for the year ended 31 May 2019 has yet to be provided as follows:
 - Property - 1% using the straight-line method
 - Equipment - 15% using the straight-line method
- (c) Wages and salaries are accrued by Shs.140.
- (d) Other operating expenses include certain expenses prepaid by Shs.500. Other expenses included under this heading are accrued by Shs.200.
- (e) The provision for bad debts is to be adjusted so that it is 0.5% of trade debtors as at 31 May 2019.
- (f) Purchases include goods valued at Shs.1, 040, which were withdrawn by Mr Hezron for his own personal use.

Required:

Prepare Mr. Hezron’s Income Statement for the year ended 31 May 2019 and his Statement of Financial Position as at 31 May 2019. **(18 marks)**

QUESTION TWO

- a) Briefly identify at which stage and why the financial disclosures are required in the accounting process. **(4 Marks)**
- b) Briefly explain the meaning of each of the following accounting concepts, giving in each case, an example of the application of each:
 - (i) Materiality **(2 marks)**
 - (ii) Substance over form **(2 marks)**
 - (iii) Money measurement **(2 marks)**
- c) The following financial report was presented regarding Salaries and Wages expenses where Shs.280, 000 was paid in the year 2024.

	1 st January 2024	31 st December 2024
Accrued	20,000	40,000
Prepaid	38,000	17,000

Required:

Determine the amount chargeable in 2024. **(5 marks)**

QUESTION THREE

- a) However, desirable a conceptual framework, might be, explain the problems that inhibit its development **(6 Marks)**
- b) Explain the rules of double entry and describe how these rules can contribute to good accounting information. **(5 Marks)**



- c) Distinguish between Capital and Revenue, incomes. **(4 Marks)**

QUESTION FOUR

- a) Briefly indicate how the following expenses/income are treated in both statement of financial performance and statement of financial position:
- (i) Prepaid expenses
 - (ii) Accrued expenses
 - (iii) Income received in advance
 - (iv) Accrued income** **(7 Marks)**
- b) Explain the different types of accounts and describe how the classification can assist in curtailing frauds in a business. **(8 Marks)**