



**MURANG'A UNIVERSITY COLLEGE**

*(A Constituent College of Jomo Kenyatta University of Agriculture and Technology)*

---

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF COMMERCE**

**MAIN CAMPUS**

**UNIVERSITY EXAMINATIONS**

**ORDINARY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**YEAR ONE SEMESTER ONE EXAMINATIONS**

**DIPLOMA IN BUSINESS MANAGEMENT (DBM)**

**COURSE CODE: DBF 1211 COURSE TITLE: FINANCIAL REPORTING & ANALYSIS**

**DATE: 17<sup>TH</sup> DECEMBER, 2015**

**TIME: 2 HOURS**

---

**INSTRUCTIONS TO THE CANDIDATES**

**THIS PAPER CONSIST OF FOUR QUESTIONS**

Question one (1) is Compulsory

Answer Any Other Two (2) Questions

MRUC observes ZERO tolerance to examination irregularities

This paper consists of 3 printed pages. Please turn over. ⇨

## QUESTION ONE

- a) Explain five characteristics of corporate reports citing its suitability in each case (10marks)  
b) Discuss five objectives of preparing financial statements citing example in each. (10 marks)  
c) The following information provide items of the pertinent data that should be provided

in a balance sheet.

Bank overdraft xxxx

Cash in hand xxxx

Outstanding Expenses xxxx

Cash at bank xxxx

Prepaid expenses xxxx

Investments (short term) xxxx

Bill payables xxxx

Bill Receivables xxxx

Sundry creditors xxxx

Sundry Debtors xxxx

Loans xxxx

Closing stock xxxx

Capital xxxx

Investments xxxx

Add Net Profit xxxx

Furniture xxxx

Less drawings xxxx

Plant & Machinery xxxx

Land & Building xxxx

Goodwill xxxx

### **Required;**

Prepare a statement of financial position that shows the arrangement of these assets and liability in both liquidity and permanency order. (10marks)

**TOTAL: 30marks**

## QUESTION TWO

- a) Distinguish between wasting assets and fictitious assets. (2 marks)
- b) Accounting statements has been developed using a well guided concepts for good presentation and accountability by accountants in any organization. Explain five accounting concepts as provided by International Accounting Standards Board. (IASB) (10 marks)
- c) Given that prudence is the main consideration, discuss under what circumstances, if any, revenue might be recognized at the following stages of a sale.
- (i) Goods have been acquired by the business, which it confidently expects to resell very quickly.
  - (ii) A customer places a firm order for goods.
  - (iii) Goods are delivered to the customer.
  - (iv)The customer is invoiced for goods.
  - (v) The customer pays for the goods.
  - (vi)The customer's cheque in payment for the goods has been cleared by the bank. (8 marks)

**TOTAL: 20marks**

### QUESTION THREE

- a) From the following information of M/s Nand Lal & Bros. for the year ending 31st December, 2012 prepare Trading A/c and Profit and Loss A/c for the year ended 31st December, 2012.
- Stock 1.1.2012 5800  
Sales 72000  
Purchases - cash 42000  
Return Inward 2000  
Purchases - credit 18000  
Interest on Investment 1500  
Freight Inward 1800  
Discount Received 1200  
Wages 4500  
Closing stock 7200  
Carriage on Sales 800  
Telephone Charges 1600  
Electricity Expenses 1200  
Office Rent Paid 6000  
Salaries 8000  
Depreciation 1400 (10marks)
- b) A firm has a motor vehicle costing £1,000 total depreciation provided to date is £800. The firm decides to trade in the motor vehicle with a new one the value of the new one being £500. The supplier of the new vehicle agree with the firm that the old motor vehicle is worth £300, therefore the difference will be paid by cash.  
Required : show the journal entries to record the transaction above (10marks)

**TOTAL: 20marks**

### QUESTION FOUR

- a) A company depreciates its plant at the rate of 20 per cent per annum, straight line method, for each month of ownership. From the following details draw up the plant account and the provision for depreciation account for each of the years 2009, 2010, 2011 and 2012.
- 2009 Bought plant costing £900 on 1 January.  
Bought plant costing £600 on 1 October.  
2011 Bought plant costing £550 on 1 July.  
2012 Sold plant which had been bought for £900 on 1 January 2009 for the sum of £275 on 30 September 2012.

Required : Prepare the plant disposal account and the extracts of statement of financial position as at the end of each year.

- (15marks)  
b) Distinguish between liquidity and financial leverage. (5marks)

**TOTAL: 20marks**

**THE END** .....