



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2012/2013

FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR
THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION
(CITY CAMPUS - EVENING/WEEKEND)

MBA 803: FINANCIAL ACCOUNTING

Date: 28th July, 2013

Time: 2.00 – 5.00 p.m.

INSTRUCTIONS:

- ◆ Answer ANY FOUR questions.
- ◆ All questions carry equal marks.

QUESTION ONE

- a) The current ratio of a company is 2:1 which of the following suggestions would improve the ratio, which would reduce it and which would not change it.
- i) To pay a current liability
 - ii) To sell a motor car for cash at a slight loss
 - iii) To borrow money for a short time on an interest bearing promissory note.
 - iv) To purchase stocks for cash.
 - v) To give an interest bearing promissory note to a creditor to whom money was to be paid.
- (5 marks)

b) Kamau and Sons Ltd present you the following

BALANCE SHEET
(as on 31st December, 2010).

Liabilities		Amount	Assets	
Equity Share Capital		50,000	Fixed Assets	87,5
8% Preference Share Capital		10,000	Bills Receivable	25,0
Reserves Fund		40,000	Stock	30,0
6% Debentures		20,000	Sundry Debtor	13,5
Sundry Creditors		30,000	Bank Balance	7,0
Profit and Loss a/c			Preliminary Expenses	8,0
	2009	1,000		
	2010	20,000		
		171,000		171,00

The directors intend to transfer a sum of Shs. 5,000 out of the current year profit to provision for tax.

QUESTION FIVE

- i) Explain briefly the advantages and disadvantages of accounting standards
(6 marks)
- ii) Explain briefly the problems created by the regulation of the accounting profession
(4 marks)
- iii) Discuss different types of arguments for unregulated accounting profession
(5 marks)

QUESTION SIX

- i) Explain briefly accounting theory with the help of theoretical framework
(10 marks)
- ii) Briefly discuss the usefulness of a theoretical framework underlying financial accounting
(5 marks)