



# MASEÑO UNIVERSITY

## UNIVERSITY EXAMINATIONS 2012/2013

### FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (HOMA BAY CAMPUS)

#### **MBA 803: FINANCIAL ACCOUNTING**

*Date: 3<sup>rd</sup> August, 2013*

*Time: 9.00 – 12noon*

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#### INSTRUCTIONS:

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

### QUESTION ONE

The trial balance of Meruab Ltd. as at 31 December 2009 was as follows:

	Sh.	Sh.
Share capital (10,000 Sh.20 Ordinary shares)		200,000
Purchases and Sales	1,220,000	2,000,000
Debtors and Creditors	400,000	140,000
Profit and loss 1 January 2009		380,000
Sales returns	40,000	
Buildings at cost	800,000	
Plant at cost	1,000,000	
Provision for depreciation:		
Plant		400,000
Buildings		40,000
Purchases returns		80,000
Selling expenses	140,000	
Bank		160,000
10% Debentures		600,000
Stock 1 January 2009	300,000	
Provision for bad debts		20,000
Operating expenses	180,000	
Administrative expenses	140,000	
Suspense account		<u>200,000</u>
	<u>4,220,000</u>	<u>4,220,000</u>

#### Additional information:

1. Stock at 31 December 2009 was Sh.360,000.
2. Sales returns of Sh.20,000 have been entered in the sales day book as if they were sales. When this error was discovered, the debtors account had been corrected but the sales figure was not rectified.
3. 5000 new shares were issued during the year at Sh.32. The proceeds have been credited to the suspense account.
4. A fully depreciated plant which cost Sh.200,000 was sold during the year. No other entries except bank have been made. The remaining balance on the suspense account after (2 and 3) above represents the sale proceeds.
5. A debtor of Sh.20,000 has been declared bankrupt. A general provision is required at 5% of debtors.

You are required to calculate the following ratios and give your brief comments:

- i) Return on capital employed ratio. (2 marks)
- ii) Current ratio (2 marks)
- iii) Fixed assets to net worth (2 marks)
- iv) Debt to equity capital (2 marks)
- v) Return on owner's capital (2 marks)

### QUESTION TWO

The following are the balance sheets as at 31<sup>st</sup> December, 2009 and 2010

		<b>Dec 31, 2009</b> <b>Kshs.</b>		<b>Dec 31, 2010</b> <b>Kshs.</b>
Share Capital		1,000,000		1,000,000
Profit & Loss Account		60,000		80,000
Overdraft from Bank		160,000		600,000
Sundry Creditors		<u>200,000</u>		<u>600,000</u>
		<b><u>1,420,000</u></b>		<b><u>2,280,000</u></b>
Land & Buildings		300,000		500,000
Plant & Machinery	500,000		600,000	
Less: Depreciation	<u>120,000</u>		<u>180,000</u>	
		380,000		420,000
Vehicles	116,000		124,000	
Less: Depreciation	<u>56,000</u>		<u>84,000</u>	
		60,000		40,000
Stock		220,000		720,000
Debtors		460,000		600,000
		<b>1,420,000</b>		<b>2,280,000</b>

During the year a dividend of 10% was distributed to the shareholders. On 1<sup>st</sup> January 2010 a motor car which originally cost Kshs. 20,000 and showing book value of Kshs. 10,000 was sold for Kshs. 16,000.

**Required**

Prepare a cash flow statement which will show as to what has happened to the money which has come into the business during the year. (15 marks)

**QUESTION THREE**

Enter the following transactions in the Journal of Pran, post to the following Ledger accounts. Capital account, Cash account, Bank account, Stock of goods account, Purchases account, Sales account, Discount allowed account, Return inward account, Mohanratta & Co.

2010		Kshs.
Jan 1	<b>Assets in hand:</b> cash Kshs. 630; cash at bank Kshs. 23,100, stock of goods; Kshs. 26,400; Mohanratta & Co. Kshs. 6,750 <b>Liabilities:</b> Marathi & Co. Kshs. 3,880; Ram Sons Kshs. 3,000. Received a cheque from Mohanratta & Co., in full settlement.	6,650
3	Sold goods to Dass & Co.	1,400
4	Sold goods to jai Chand & Sons	1,440
	Carriage paid	35
	Sold goods to Gainda & Co. for cash	3,120
5	Brought goods from Ram & Sons	4,000
	Paid Marathi & Co. by cheque in full settlement	3,800
6	Bought goods from Chatterjee and Mukerjee	6,300
7	Dass & Co. returns goods not being up to standard	100
	Traveling expenses paid to salesman	147
	Goods sold for cash Vijay	800
10	Paid for stationery	66
	Postage stamps	15
13	Returned goods to Chatterjee and mukerjee (not being upto specifications)	300
	Charterjee and Mukerjee (also admit claim for breakage of goods)	100

15	Paid for furniture by cheque	700
16	Goods used personally by proprietor	50
17	Sold goods to Mohanratta & Co.	5,000
19	Dass & Co. pay by cheque	1,300
20	Cheque received from Jai Chand & Sons	1,440
22	Bank advises Jai Chand & Sons, cheque returned unpaid	
23	Sold goods to Ajay for cash	800
24	Cash deposited with bank	2,000
27	Cheque sent to Chatterjee and Mukerjee (discount allowed Kshs. 50)	5,850
29	Paid telephone charges	23
31	Paid salaries	600
	Paid rent	300
	Bank charges	10
	Drew for personal use out of bank	500
	Received claim from Mohanratta & Co. for defects in goods supplied to them; claim admitted.	150

#### QUESTION FOUR

On 31<sup>st</sup> March 2010 the following Trial Balance has been extracted from the book of a merchant.

Dr. Balances:	Kshs.	Cr. Balances:	Kshs.
Drawing A/c	3,000	Capital A/c	30,000
Sundry Debtors	19,100	Sundry Creditors	8,401
Interest on Loan	200	5% Loan on Mortgage (1.4.2009)	8,500
Cash in Hand	3,050	Bad Debts provision	710
Stock (1.4.2009)	5,839	Sales	111,243
Motor Vehicles	9,000	Purchases Returns	1,346
Cash at Bank	4,555	Discounts	440
Land & Buildings	12,000	Bills Payable	2,714
Bad Debts	625	Rent Received	250
Purchases	67,458		



Sales Return	7,821		
Carriage Outward	1,404		
Advertisement	2,264		
General Expenses	4,489		
Bills Receivable	6,882		
Carriage Inward	3,929		
Establishment	8,097		
Rates, Taxes & Ins.	3,891		

**Adjustments:**

- i. Depreciate land and building at 5% p.a. and motor vehicles at 15% p.a.
- ii. Goods costing Kshs. 600 were sent to a customer on sale or return for Kshs. 700 on 30<sup>th</sup> March 2010 and has been recorded in the books as actual sales.
- iii. Salaries amounting to Kshs. 700 and rates amounting to Kshs. 400 are due.
- iv. A fire broke out on 1<sup>st</sup> April 2010 destroying goods worth Kshs. 200
- v. The provision for doubtful debts is to be brought upto 5% on Sundry debtors.
- vi. Stock in hand on 31<sup>st</sup> March 2010 was valued at Kshs. 6,250
- vii. Goods costing Kshs. 500 were taken away by the proprietor for his personal use; no entry has been made in the books of accounts.
- viii. Prepaid insurance amounted to Kshs. 175
- ix. Provide for manager's commission at 5% on net profit after charging such commission.

**Required:**

- a) Prepare Trading and Profit and Loss Account (10 marks)
- b) A balance Sheet as on that date 31<sup>st</sup> March, 2010 (5 marks)