



PAN AFRICA CHRISTIAN UNIVERSITY
SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY
END OF SEMESTER EXAMINATION FOR THE DEGREE OF
MASTERS IN BUSINESS ADMINISTRATION
MAY-AUGUST 2019 SEMESTER

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: MBA504

COURSE TITLE: FINANCIAL ACCOUNTING

EXAM DATE: MONDAY 5th AUGUST 2019

DURATION: 3 HOURS

TIME: 5:30PM-8:30PM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- This exam script consists of **Six (6)** questions.
- Answer **QUESTION ONE AND ANY OTHER FOUR QUESTIONS**
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: [COMPULSORY] – 40 MARKS

- a) Identify any four users of accounting information and discuss what importance they attach to the financial statements of a company **[8 marks]**
- b) Define the term 'Journal' as used in book keeping **[2 mark]**
- c) Explain three reasons why it is necessary for a firm to prepare accounting information **[6 marks]**
- d) Briefly explain any three qualities of useful accounting information **[6 marks]**
- e) Classify the following as either an asset or liability **[6 marks]**
- i. Computer
 - ii. Stock in the store
 - iii. Bank loan
 - iv. Investment in shares
 - v. Unsettled water bill
 - vi. Motor van
- f) With the help of an example, explain what you understand by the terms:
- i. Assets **[2 marks]**
 - ii. Liabilities **[2 marks]**
 - iii. Owners' capital **[2 marks]**
- g) Mr. Flint is starting a business. Before starting to sell anything, he bought fixtures for £1,200, a van for £6,000 and an inventory of goods for £2,800. Although he has paid in full for the fixtures and the van, he still owes £1,600 for some of the inventory. Mr. Rub lent him £2,500. After the above, Mr. Flint has £200 in the business bank account and £175 cash in hand. You are required to calculate his capital **[6 marks]**

SECTION B: Answer any four questions from this section

QUESTION TWO

The following transactions took place in the month of July 2017 in the business of Bernard:

- July 1st Started business with £17,500 in cash.
- 2 Deposited £9,400 of the opening cash into the business' bank account
- 5 Bought office furniture on credit from Dream Ltd for £2,100.
- 12 Bought office printer from Pearce & Sons on credit at £2,300.
- 18 Returned faulty office furniture costing £260 to Dream Ltd.
- 25 Sold some stock for £200 cash.
- 26 Paid amount owing to Dream Ltd £1,840 by bank transfer
- 28 Withdrew £130 from the bank and deposited into office safe for business use.
- 30 Brown lent the business £4,000 - sending the money by bank transfer.

Required:

- i. Journalize the above transactions [9 marks]
- ii. Post the Journal entries in respective ledger accounts [6 marks]

QUESTION THREE

The following trial balance was prepared for Otieno's business as at 30th June 2018.

DETAILS	DR(\$)	CR(\$)
Rent	940	
Insurance charges	1,804	
Electricity	1,990	
Motor vehicle repair	2,350	
Salaries and wages	48,580	
Sales		382,420
Purchases	245,950	
Other expenses	624	
Lorry	19,400	
Accounts payable		23,408
Accounts receivable	44,516	
Furniture	4,600	
Buildings	174,000	
Cash at bank	11,346	
Drawings	44,000	
Owners capital		194,272
Totals	600,100	600,100

Additional Information:

Inventory at 30 June 2018 was \$29,304.

Required:

Prepare for Otieno the statement of income and expenditure [15 marks]

QUESTION FOUR

a) Briefly explain any four principles of accounting [8 marks]

b) James prepared the ledgers of his business and closed them at the end of the accounting period. The ledger closing balances were as follows: Fixtures and fittings 5,000, Accounts receivable 6,800, Accounts payable 9,100, Inventory 3,000, Bank 15,100, Cash 200, Capital 21,000.

Required:

Prepare a trial balance for his business using the closing ledger balances above [7 marks]

QUESTION FIVE

a) Identify and illustrate any two methods of depreciating fixed assets [4 marks]

b) Explain any three reasons why depreciation is chargeable on fixed assets [6 marks]

c) Outline 5 objectives of financial accounting to a business [5 marks]

QUESTION SIX

a) On 1st January 2016, ABC Ltd installed a refinery at a cost of Kshs 18 million and immediately commissioned it. ABC management board has approved the use of reducing balance method to depreciate the company's assets at a rate of 20% per year.

Required:

i. Compute the depreciation expense for the years ending 31st December 2016, 2017, 2018

[6 marks]

ii. Post the depreciation amount in the refinery asset account and the depreciation expense account for the 3 years

[9 marks]