The Management University of Africa

MUA

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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF BUSINESS ADMINISTRATION

MBA 501: FINANCIAL ACCOUNTING

DATE: 28TH NOVEMBER 2023

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE is compulsory.**
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

a) Jaba Ltd. started its operations on 1 January 2008. The company acquired several items of plant fur its use. The amounts for the plant acquisitions, disposals and depreciation far the years 2008. 2009 and 2010 are shown below.

The amounts for the year 2011 have not yet been computed.

Plant movement extracts for the years ended:

	2008 Sh '000'	2009 Sh '000'	2010 Sh '000'	2011 Sh '000'
Plant at cost	80,000	80,000	90,000	?
Accumulated depreciation	(16,000)	(28,800)	(36,700)	?
Net book value	64,000	51,200	53,300	?

Additional information:

1. Disposals took place at the beginning of the financial years as follows:

	Date of disposal	Plant cost Sh '000'	Sales proceeds Sh '000'
Disposal of plant A	2010	15,000	8,000
Disposal of plant B	2011	15,000	21,000

2. Plant A and plant B were sold and replaced on the same date when plant C and plant D wereacquired. Plant D cost Sh.50 million while the value of plant 'C is to be derived.
3. Depreciation is charged at 20% on reducing balance.

Required

i. Extract of the plant movement schedule for the years ended 2008, 2009, 2010 and 2011 **(8 Marks)**

ii. Profit or loss arising on disposal of plant A and plant B. **(7 Marks)**

b) Differentiate between statement of affairs and balance sheet **(5 Marks)**

c) Outline three (3) errors that are not detected by a trial balance **(3 marks)**

d) Juma has a business that has been trading for some time. You are given the following information as at 31.12. 2015

	Sh "000"
Building	22 000
Furniture	11 000
Motor vehicle	11 600
Stocks	17 000
Debtors	11 200
Cash at bank	3 000
Cash in hand	800
Creditors	5 000
Capital	61 600
Loan	10 000

Required;

a) Prepare a balance sheet as at 31 December 2015 **(4 Marks)**

b) Explain three (3) liquidity ratios **(3 marks)**

QUESTION TWO

a) The following information relates to the business of Mr. Shiv Kumar.

	Balance as on 31st March, 2012	**Balance as on 31st March, 2013**
Building	320,000	360,000
Furniture	60,000	68,000
Motorcar	80,000	80,000
Stocks	-	40,000
Bills payable	28,000	16,000
Cash and bank balances	180,000	104,000
Sundry debtors	160,000	-
Bills receivable	32,000	28,000
Sundry creditors	120,000	-

(b) Cash transactions during the year included the following besides certain other items:

	sh		sh
Sale of old papers and miscellaneousincome	20,000	Cash purchases	48,000
Miscellaneous Trade expenses(including salaries	80,000	Payment to creditorsCash sales	184,000 80,000
etc.) Collection from debtors	200,000		

Other information:

i. Bills receivable drawn during the year amount to sh. 20,000 and Bills payable accepted sh.16,000.

ii. Some items of old furniture, whose written down value on 31st March, 2012 was sh 20,000 was sold on 30th September, 2012 for sh 8,000. Depreciation is to be provided on Building andFurniture @ 10% p.a. and on Motorcar @ 20% p.a. Depreciation on sale of furniture to be provided for 6 months and for additions to Building for whole year.

iii. Of the Debtors, a sum of sh 8.000 should be written off as Bad Debt and a reserve for doubtfuldebts is to be provided @ 2%.

iv. Mr. SomeaKenya has been maintaining a steady gross profit rate of 30% on turnover.

v. Outstanding salary on 31st March, 2012 was sh 8,000 and on 31st March, 2013 was f 10,000 on 31st March, 2012. Profit and Loss Account had a credit balance of sh. 40,000.

vi. 20% of total sales and total purchases are to be treated as for cash.

vii. Additions in Furniture Account took place in the beginning of the year and there was noopening provision for doubtful debts.

Required;

i. Prepare aTrading and Profit & Loss Account for the year ended 31st March, 2013 **(8 Marks)**

ii. Balance Sheet as at the year ended 31st March, 2013 **(7 Marks)**

QUESTION THREE

a) Identify and explain five (5) users of accounting information **(5 Marks)**

b) Explain four (4) principles of accrual accounting **(5 marks)**

c) The chief accountant of Jivunie Ltd has encountered difficulties while accounting for fixed assets and the related depreciation in the company's draft accounts for the year ended 30 April 2011.He hasdecided to seek your professional advice and presented the following balances of fixed assets as at 1May 2010:

	Acquisition Cost	**Accumulated Depreciation**	**Depreciati onRates**
	Sh.	Sh.	%
Furniture	900,000	300,000	12.5
Trucks	3,525,000	1,470,000	25
Plant and machinery	7,387,500	4,462,500	10
Land	2,775,000	-	Nil
Buildings	2,925,000	292,500	2.5

The following additional information was also available:

1. It is the company's policy to write off cost of the assets using above percentages on cost.
2. Depreciation is fully charged in the year of acquisition and none in the year of disposal
3. A three-year-old machine acquired for sh.187,500 was sold for sh.15,750.
4. It has been decided to adju.st and charge depreciation on buildings at 4%. 5: A used delivery truck purchased three years ago for sh.248,250 was traded in during the year at a value of sh.157,500 in part exchange of the new delivery truck costing sh.450,000.
5. Land, buildings and machinery were acquired for sh.1,350,000 from a company that went out of business. At the time of acquisition sh.90,000 was paid to have the assets revalued by a professionally qualified valuer. The revaluation indicated the following market values.

	Sh.
Land	900,000
Buildings	600,000
Machinery	300,000

Required:

A schedule of movement of fixed assets as requested by the Chief accountant for inclusion in thecompany's accounts for the year ended 30 April 2011 **(5 Marks)**

QUESTION FOUR

a) Assess the purpose of Green Accounting Practices **(4 Marks)**

b) Explain three objectives of the International Public Sector Accounting Standards Board **(3 Marks)**

c) Explain the following accounting concepts.

i) Consistency **(2 Marks)**

ii) Materiality **(2 Marks)**

iii) Substance Over Form **(2 Marks)**

iv) Going Concern **(2 Marks)**