KIBABII UNIVERSITY COLLEGE
(A Constituent College of MasindeMuliro University of Science Technology)
P.O. Box 1699-50200 Bungoma, Kenya
Tel. 020-2028660/0708-085934/0734-831729
E-mail: enquiries@kibabiiuniversity.ac.ke

UNIVERSITY REGULAR EXAMINATIONS

2012 2013 ACADEMIC YEAR

FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

COURSE CODE: MBA 804

COURSE TITLE: FINANCIAL REPORTING AND CONTROL

DATE: 22nd August 2013 **TIME:** 2.00pm – 4.00pm

Instructions to Candidates

Answer any four questions

QUESTION ONE

Accounting as practiced today is as it were in Venice and Genoa in 1490s. Critically evaluate this statement. (25 Marks)

QUESTION TWO

Identify eight basic accounting concepts and for each evaluate its significance in accounting practice (25 marks)

QUESTION THREE

(a) Critically examine the difference between the following classes of accounting theories
   (i) Decision usefulness
   (ii) Social Welfare
   (iii) Descriptive (12 marks)

(b) With examples explain how these theories have influenced the financial reporting framework as stipulated by IASB (13 marks)

The following balances were extracted from the books of Beta Ltd as on 31-12-2012 for the year ended

	Sh		Shs
Sales	600,000	Interest revenue	32,000
Cost of Sales	320,000	Selling expenses	67,000
Administration expenses	87,000	Profit from early payment of debt	86,000
Interest expense	26,000	Restructuring expenses	55,000
Income tax	65,000	Cash in hand	25,000
Debtors	56,000	Stock	219,000
Interest payable	16,000	Investments	120,000
Buildings	300,000	accumulated depreciation-buildings	100,000
Equipment	75,000	Accumulated depreciation- equipment	25,000
Copyright (Net of amortization)	12,000	creditors	65,000
Prepaid expenses	35,000	revenues in advance	23,000
Loans	250,000	provision for bad debts	5,000
Issued ordinary shares of Shs 5 par	200,000	authorized share capital 60,000 shares of sh 5 par	300,000
Share premim	30,000	Profit and loss account balance	30,000

Notes

- One half of the investments are due to be sold in the next financial year
- Out of the loans sh 100,000 is due to be repaid in the next six months and sh 150,000 is repayable in 3 annual installments of shs 50,000 each

Required: Prepare

(i)	Statement of income for the year ended 31-12-2012 and	(15 marks)
(ii)	Statement of financial position as at that date	(10 marks)

QUESTION FIVE

The following summarized statements of financial position have been prepared for E ltd as at 30th September 2011 and 30th September 2012

Balance Sheet as at 30th September

2011			2012		
Sh 000	Shs '000		sh'000'		shs '000'
		Fixed Assets			
285		Freehold land & buildings			
		(Net book value)			675
180		Plant & machinery			291
	465				967
	285	Investment (cost)			30
	750				997
		Current assets			
180		Stock	105		
222		Trade debtors	92		
-		Balance at Bank	200		
28		Cash	66		
430			463		
		Less Current Liabilities			
(52)		Trade creditors	(99)		
(27)		Proposed dividends	(39)		
(50)	301	Bank overdraft	(-)	138	325
	1,051				1,322

Financed by

Share capital and Reserves

150	Sh 10 ordinary shares fully paid	450
367	Share premium	292
-	Land Revaluation	150
398	Retained earnings	294
915		1,186
	Loan Capital	
136	10% debentures	136
1,051		1,322

Additional information

(1) Profit and loss appropriation for the year ended 30th September 2012

	Sh '000'
Net Profit	10
Less final dividend	(39)
Transfer to retained earnings	(29)

(2) (i) The freehold land and buildings were revalued on 1st June 2012 by shs 150,000
(ii) on 1st July 2012 further freehold land buildings were purchased at a cost of shs 240,000
(iii) There were no sales or provision for depreciation of freehold land and buildings.

(3) (i) Only July 2012 a bonus issue was made of 3 shares for every 2 shares held. The issue was financed from the share premium account shs 150,000 and the balance from retained earnings
(ii)On 1st august 2012 7,500 new sh 10 ordinary shares were issued at shs 20 share.

(4) During the financial year 2011/2012 investments which had cost shs 255,000 were sold for shs 300,000

(5) The depreciation on plant and machinery was shs 60,000 for the year and there were no revaluations or sales of plant and machinery.

Required

(a) A cash flow statement for E ltd for the year ended 30th September 2012 (15 marks)
(b) Write a brief report on E ltd explaining:
   (i) How the company was able to finance expansion in its productive capacity when the profit was extremely poor. (6 marks)
   (ii) Why do you think the company issued bonus shares (4 marks)