



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business & Social Studies***

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR  
MASTER OF SCIENCE IN HUMAN RESOURCE MANAGEMENT  
MASTERS OF SCIENCE PROCUREMENT  
MASTERS OF SCIENCE FINANCE

**BAC 5101: FINANCIAL ACCOUNTING**

END OF SEMESTER EXAMINATIONS

**SERIES:** APRIL 2015

**TIME:** 3 HOURS

**INSTRUCTIONS:**

- Answer question **ONE (Compulsory)** and any other **THREE** questions
- Do not write on the question paper.

*This paper consists of Three printed pages*

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**QUESTION 1**

- a) i) Briefly explain why the accounting information is referred to as the language of accounting. **(5 marks)**
  - ii) Briefly discuss with examples any **FIVE** advantages and **FIVE** disadvantages of accounting information. **(10 marks)**
- b) Discuss the components of the accounting equation and indicate the accounting representation and treatment in the financial statements. **(10 marks)**

## QUESTION 2

- a) Briefly discuss the challenges facing the preparation and presentation of accounting information as financial statements in Kenya and recommend a solution for each challenge. **(10 marks)**
- b) Prepare the financial statements from the information below as at 31<sup>st</sup> December 2014.

	<b>Sh.</b>
Cash in hand and bank	12,200
Opening inventory	21,000
Accounts receivable	8,000
Accounts payable	10,000
Return inwards	500
Sales turnover	14,900
Salaries	4,000
Amenities services	1,000
Drawings	1,900
Closing services	13,500
Fixtures	7,500
Vehicles	36,700
Loan	30,000
Rental income	3,400

**(15 marks)**

## QUESTION 3

Every transaction has an effect to increase, decrease or no effect at all on financial standings. For each of the below indicate the scenario on the following.

- a) Quick ratio
- b) Working capital
- c) Shareholder's equity
- d) Debt/equity ratio
- e) Retained earnings

The impliers are

- i) Payment of cash for short-term marketable securities.
- ii) Purchase of a computer through issue of a short-term note for the purchase price.
- iii) Purchase of factory equipment through issue of a longterm note for the purchase price.
- iv) Sale of merchandise on account at a profit
- v) Payment of accounts payable using cash.
- vi) Receipt of cash from issue of ordinary shares.
- vii) Sale of a factory for cash at a profit.
- viii) Purchase of raw materials on account.

**(25 marks)**

#### QUESTION 4

- a) There are diverse interests and individuals or groups interested in the financial accounting information. Who are these users and what is their specific interest in the financial information. **(10 marks)**
- b) The end product of the accounting process is the production of financial statements and reports. Based on this statement, briefly explain the statements and information that comprises a complete set of financial statements. **(15 marks)**

#### QUESTION 5

- a) A cashflow is represented using three classifications of its reporting activities. Briefly discuss these activities. **(12 marks)**
- b) Identify and indicate which accounting assumption, accounting principle or constraint relates or correctly represents the statements or phrases below:
- i) Revenue is recognized only after certain criteria are satisfied?
  - ii) Information that could affect decision making should be reported.
  - iii) Cause and effect relationship between revenues and expenses.
  - iv) The basis of measurement of many assets and liabilities.
  - v) All economic events can be identified with a particular entity.
  - vi) The benefits of providing information should exceed the cost of doing so.
  - vii) Assumes the entity will continue definitely.
  - viii) Inflation causes a violation of this assumption
  - ix) Requires the accountants to select the alternative that will give the highest loss and the lowest profit.
  - x) Publicly quoted enterprises filing that interim and quarterly financial statements with the CMA.
- (8 marks)**