



**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

**MAIN/BUNGOMA/WEBUYE/KAPSABET/MUMIAS/NAIROBI CAMPUS
UNIVERSITY EXAMINATIONS
2021 /2022 ACADEMIC YEAR**

**FIRST YEAR SEMESTER TWO EXAMINATION
FOR DIPLOMA
IN
BUSINESS MANAGEMENT**

COURSE CODE: DBF 233

COURSE TITLE: FINANCIAL REPORTING AND ANALYSIS

DATE: Tuesday 26th July 2022

TIME: 2-4pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

MMUST observes ZERO tolerance to examination cheating

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QUESTION ONE (30 marks)

- a) Outline any five challenges that a country may face when adopting the international Financial Reporting standards(10mks)
- b) Explain the following accounting concepts
- i. Faithful presentation
(2mks)
 - ii. comparability
(2mks)
 - iii. Relevance
(2mks)
 - iv. materiality
(2mks)
 - v. consistence
(2mks)

- c) The following information relates to kk ltd financial status for the year 2017.

Profit after tax shs 30,000,000
Total dividend for the year shs 18,000,000
Market price per share shs 20
Number of ordinary shares 6,000,000

Required

- i. Earning per share (EPS) (2mks)
- ii. Dividend per share (DPS) (2mks)
- iii. Price earning per share (2mks)
- iv. Dividend payout ratio (2mks)
- v. Dividend yield (2mks)

QUESTION TWO (20 MARKS)

(a)Discuss any five elements of financial statements 10mks

(b)James has shs 8,000,000 which he intends to invest at 12% rate and has the following two investment opportunities at his disposal.

INVESTMENT A

Year	cash flows
1.	2,000,000
2.	2,200,000
3.	2,080,000
4.	2,240,000
5.	2,760,000
6.	3,200,000
7.	3,600,000

INVESTMENT B

Year	cash flows
1	4,000,000
2	3,200,000
3.	4,800,000
4	800,000

Required Calculate the Net present value of each project and advice James on most viable project. (10mks)

QUESTION THREE (20 MARKS)

- a) Discuss any four methods used in valuing assets **8mks**
 (b) The following information relate to Mwangaza Ltd for the year ended 31st December 2010.

Details	shs'000'
Profit before tax	2090
Amortization of intangible assets	120
Proceeds from issue of ordinary shares	1030
Increase in inventory	180
Sale of building (100,000 gain)	850
Increase in accounts payable	150
Purchase of equipment	1250
Payment of cash dividends	240
Depreciation expense	350
Increase in accounts receivable	230
Loan repayment	520
Decrease in short term notes payable	80
Sale of land loss	260
Purchase of motor vehicle	330
Cash at the beginning	1730
Cash at the end	3700

Required
 Prepare a statement of cash flows 12mks

QUESTION FOUR (20 MARKS)

The following trial balance was extracted from the books of Joseph Muliro on 30th June 2013.

Details	shs	shs
Sales		138,078
Purchases	82,350	
Carriage inwards	2,211	
Drawings	7,800	
Rent, rates	6,622	
Postage and stationary	3,001	
Advertising	1,330	
Salary and wages	26,420	
Bad debts	877	
Opening stock	11,927	
Provision for bad debts		130
Debtors	12,120	
Carriage outwards	2,933	
Creditors		6,471
Cash in hand	177	
Cash at bank	1,002	
Equipment at cost	58,000	

Accumulated depreciation	19,000
Capital	<u>53,091</u>
	<u>216,770</u>

The following additional information as at 31 may 2017 is available

- i. Rent accrued shs 210
- (ii) Rate prepaid shs 880
- (iii) Carriage inwards sh. 2211
- (iv) Equipment to be depreciated at 15% annum on straight line method
- (v) Provision for bad debts to increase to shs 40
- (vi) Closing stock shs 13,551

Required

- (a) Prepare an income statement for the year ended 31 may 2015 10mks
- (b) Prepare a statement of financial position as at that date 10mks