



**MASINDE MULIRO UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

FINAL EXAMINATION

**FOR THE DEGREE OF MASTERS OF SCIENCE HUMAN
RESOURCE MANAGEMENT**

COURSE CODE: HRM 810

**COURSE TITLE: ACCOUNTING AND FINANCIAL
MANAGEMENT**

DATE: WEDNESDAY 7TH DECEMBER 2022 TIME: 2-5PM

INSTRUCTIONS TO CANDIDATES

ATTEMPT ALL QUESTIONS

TIME: 3 HOURS

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

QUESTION ONE (25 MARKS)

- a) Accounting Information is of great importance to the human resource practitioners in a number of ways. Explain **(10mks)**
- b) Analysis and interpretation of financial statements help the users to extract meaning out of these financial statements. Using ratios as analysis tool, discuss **(5mks)**
- c) Provide an informed advise to the management of the Kakamega Enterprise Limited as to whether this investment is viable based on the NPV and P1 evaluation techniques:

		Kshs.
Year 0	cash out flow	50,000
Year 1	Cash in flow	20,000
Year 2	Cash in flow	22,000
Year 3	Cash in flow	18,000

Discount rate is at 10% **(10mks)**

QUESTION TWO (25 MARKS)

- a) The following Trial Balance was extracted from the books of XZY Wholesalers in Kakamega Town on 31st December, 2021

Particulars	Dr.	Cr.
Capital		300,000
Drawings		20,000
Sales		500,000
Returns	10,000	20,000
Purchases	350,000	
Wages and salaries	32,000	
Opening inventory	54,000	
Commission income		12,000
Rent income		5,000
Plant & Machinery	120,000	
Provision for dep. on plant & Machinery		20,000
Furniture & Fittings	50,000	
Provision for dep. on furniture & fittings		10,000
Provision for bad debts		3,000
Accounts Receivable	50,000	
Accounts payable		30,000
Discounts	15,000	10,000
General expenses		6,000
Insurance premium	4,000	

Rate to county government	5,000	
Advertising	13,000	
Bad debts written off	1,000	
Land	<u>180,000</u>	<u> </u>
	<u>910,000</u>	<u>910,000</u>

Additional information;-

- i) Reduce provision for bad debt by 4% of the accounts receivable.
- ii) Wages and salaries accrued at the end of the trading period amounted to sh. 1,200 while insurance premium prepaid was sh. 1,000.
- iii) During the years drawings in kind form worth sh. 5,000 was taken from the business for personal use.
- iv) Depreciate plant and machinery at the rate of 5% while furniture and fittings at 10% on book value and cost respectively.
- v) Commission income accrued was sh. 500.
- vi) Closing inventory shs. 29,500

Required;

- i) Prepare income statement for the year ended on 31/12/2021 **(15 mks)**
- ii) Prepare statement of the financial position as at that date **(10 mks)**

QUESTION THREE (25 MARKS)

- a) The size of the working capital has a direct effect on the liquidity of an organization. Explain how this will affect operations in the line of human resource functions **(10mks)**
- b) A limited company with a current credit period of 30 days is intending to extend the average credit period to 60 days and the sales will increase by 25%. The following information is also provided.

	Kshs.
Current sales	300,000
Estimated sale the will avail discount	20,000
Bad debt losses of increased sales	5%
Production and selling costs of increased sales	70%
Opportunity cost	10%
Cash discount of sales that avail discount	3%

Determine whether the company should extent its credit period **(10mks)**

- c) Cash is held by firms for different motives. Explain why financial institutions would hold cash **(5mks)**

QUESTION FOUR (25NMARKS)

- a) From the following information prepare a cost statement **(15mks)**

Stock 1.1.2021;	
Raw material	45,000
Work-in-progress	22,000
Stock 31.12.2021;	
Raw materials	65,000
Work – in- progress	19,000
Purchase of Raw materials	670,000
Carriage inward	25,000
Return of raw materials	15,000
Direct wages	280,000
Factory Rent	60,000
Power	48,000
Depreciation of plant	35,000
Supervisor’s salaries	55,000
Office salaries	70,000
Depreciation of office Equipment	5,000
Salesmens’ salaries	68,000
Delivery van Expenses	27,000
Depreciation of delivery van	18,000
Advertisement	12,000

- b)** Financial institutions play an important role in an economy’s investment. describe how they play this role in the context of the Kenyan economy **(10mks)**

QUESTION FIVE (25 MARKS)

- a)** Under what circumstances do organizations go for the following sources of finance:
- i)** Retained Earnings **(5mks)**
 - ii)** Debenture **(5mks)**
- b)** Capital budgeting decisions are sometimes difficult to make due to a number of reasons. Explain any five of such reasons **(10mks)**
- c)** In the absence of a formal partnership deed, a partnership Act takes precedent. Outline the specifics in this context. **(5mks)**