



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2013/2014**

**FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR BACHELOR  
OF EDUCATION WITH INFORMATION TECHNOLOGY  
(HOMA BAY - SCHOOL BASED)**

**ABA 103: INTRODUCTION FO FINANCIAL ACCOUNTING  
I**

*Date: 12<sup>th</sup> December, 2013*

*Time: 2.00 - 4.00pm*

**INSTRUCTIONS:**

- Answer QUESTION ONE (compulsory) and any other TWO questions.

### QUESTION ONE

(a) Explain why the following parties may be interested in the financial statements of an organisation:

- (i) Employees (2 marks)
- (ii) Financial analysts (2 marks)
- (iii) The Government. (2 marks)
- (iv) The public. (2 marks)
- (v) Lenders (2 marks)

(b) Explain any five circumstances that may hinder a firm from improving on the usefulness of its financial statements. (10 marks)

(c) Dickson Mkenya is an electronic equipment dealer. He has sought your advice on certain matters relating to his financial statements for the year ended 30 April 2010.

Citing the relevant accounting principle, advise Dickson on how to deal with each of the following:

- (i) All his electrical equipment is sold with a one year warranty for repair and service, which on average costs Sh.480 per item. The value of equipment returned annually average 1% of the sales. The sales of the year ended 30 April 2010 were 200,000 units. (3 marks)
- (ii) Closing stock as at 30 April 2010 was valued at Sh.500,000. However, some items of stock whose initial cost was Sh. 200,000 can only realise Sh.150,000 after major repairs costing Sh.40,000. (3 marks)
- (iii) Sales for the year include deposits from customers amounting to Sh.2,000,000. The goods had not been delivered to the customers as at 30 April 2006. (2 marks)
- (iv) The firms' VAT returns for the month of April 2006 had not been filed with the Revenue Authority. The penalty for late filing of VAT returns is Sh.10,000. (2 marks)