



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

SECOND YEAR EXAMINATION FOR THE AWARD OF THE
DIPLOMA IN PUBLIC ADMINISTRATION AND PEACE STUDIES
FIRST SEMESTER 2021/2022
[JUNE-SEPTEMBER, 2022]

DPAD 0209: ACCOUNTING AND FINANCIAL MANAGEMENT

STREAM: Y2 S1

TIME: 2 HOURS

DAY: FRIDAY, 3:00 – 5:00 PM

DATE: 09/09/2022

INSTRUCTIONS

1. Do not write anything on this question paper.
2. Answer question ONE (Compulsory) and any other TWO questions.

QUESTION ONE (30marks)

- a. Discuss any five uses of accounting information clearly showing interest in the accounting statement. (10marks)
- b. Discuss any three theories of dividend that guides payment of dividends by firms. (6marks)
- a. Given the following trial balance for BCD Ltd draw up a statement of comprehensive income for the year ended 31 December 2007 and the statement of financial position as at 31 December 2007.

	Sh	Sh
Sales		205,500
Purchases	129,000	
Opening stock	16,000	
Rent	42,000	
Lighting expenses	8,000	
General expenses	17,000	
Fixture and fittings	4,800	
Debtors	148,000	
Creditors		37,000
Bank	14,300	
Cash	2,800	
Drawings	14,000	
Capital		128,000
Commissions		24,000
Returns inwards	4,600	
Return outwards		6,000
	400,500	400,500

The closing stock as at 31st march 2007 was Sh 9000

Required;

- i. Prepare income statement. (9marks)
- ii. Prepare statement of financial position. (5marks)

QUESTION TWO (20marks)

- a) Discuss any three principles guiding preparation of accounting information. (6marks)
- b) Differentiate giving at least two advantages and disadvantages partnership and company. (4marks)
- c) The following data relates to the capital structure of PQR Ltd as at 31st December 2016. You are required to compute the component co of capital and the weighted average cost of capital. (10 marks)

Capital component	Sh. 'M'
10% preference share	60
Ordinary share capital	80
8% debenture Sh. 100 par value	20

QUESTION THREE (20marks)

- a. Discuss any four sources of finance to business. (8marks)
- b. The following information has been extracted from the accounts of Maendeleo Ltd. For the year ended 31st Dec 2015.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DEC 2015.

	KSH
Sales	9600
Cost of goods sold	(5900)
Gross profit	<u>3700</u>
Trading expenses	(1650)
Trading profit	<u>2050</u>
Taxes	(500)
Net profit	<u>1550</u>

BALANCE SHEET AS AT 31ST DECEMBER 2015

	KSH	KSH
Fixed assets		3700
Current assets		
Cash	1650	
Debtors	1050	

Stock	<u>2700</u>	<u>5400</u>
		<u>9100</u>
Liabilities		
Current liabilities		5650
Financed by;		
Ordinary share capital		1900
Net profit	<u>1550</u>	
	<u>9100</u>	

Compute the following ratios

- Gross profit margin (3marks)
- Net profit margin (3marks)
- Current ratio (3marks)
- Acid test ratio (3marks)

QUESTION FOUR (20marks)

- Over the last decade, there has been management problems between the shareholders of a company and the managers often referred to as 'Agency problem' where managers are hired by shareholders to work for the shareholders' interest and may decide to pursue conflicting interest which will not maximize shareholder wealth.
Discuss any four ways of resolving these conflicts. (8marks)
- Victory sport club had the following cash book summary on 31st December 2016

Cash summary

Balance b/f 5,400	Salaries 6,200
Subscriptions 23,000	Travelling 7,800
Donations 2,100	Stationery 600
Gate monies 6,500	Electricity 500
Sale of old sport kit 1,000	Refreshment 5,200
	Purchase of new sports kit

	4,000 Purchase of new uniform 3,800 Repairs of sports kit 700 Maintenance of sports ground 3,400 Balance c/f <u>5,800</u>
38,000	38,000

Required

- i. Prepare income and expenditure account to record the above transactions.