



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
SECOND YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
THE DEGREE OF BACHELOR OF SCIENCE IN
ECONOMICS**

COURSE CODE: ECO 2209

COURSE TITLE: ACCOUNTING AND CONTROL

DATE: 12TH OCTOBER, 2021

TIME: 1100 – 1300 HRS

INSTRUCTIONS TO CANDIDATES

Answer all questions in Section A and ANY OTHER THREE in section B

Question One compulsory 25 marks

The Financial Statements of both Business A and Business B for the year ending December 31 2020 is hereby given bellow;

	BUSINESS A		BUSINESS B	
Income Statement	Ksh	Ksh	Ksh	Ksh
Sales		80,000		120,000
Less cost of goods sold				
Opening stock	25,000		22,500	
Add purchases	50,000		91,000	
	75,000		113,500	
Less closing stock	(15,000)	60,000	(17,500)	96,000
Gross profit		20,000		24,000
Less depreciation	1,000		3,000	
Other expenses	9,000	10,000	6,000	9,000
Net profit		<u>10,000</u>		<u>15,000</u>
Statement of Financial Position				
Non Current assets				
Equipment at cost	10,000		20,000	
Less depreciation to date	(8,000)	2,000	(6,000)	14,000
Current assets				
Stock	15,000		17,500	
Debtors	25,000		20,000	
Bank	<u>5,000</u>		<u>2,500</u>	
	45,000		40,000	
Less current liabilities				
Creditors	<u>5,000</u>	<u>40,000</u>	<u>10,000</u>	<u>30,000</u>
		<u>42,000</u>		<u>44,000</u>
Financed by:				
Capital				
Balance at start of year		38,000		36,000
Add net profit		<u>10,000</u>		<u>15,000</u>
		48,000		51,000
Less drawings		6,000		7,000
		<u>42,000</u>		<u>44,000</u>

Required:

Calculate the following ratios for both businesses A and B and comment about your results.

- i. Gross profit ratio. **(3 marks)**
 - ii. Net profit ratio. **(3 marks)**
 - iii. Stock turnover ratio. **(3 marks)**
 - iv. Current ratio. **(3 marks)**
 - v. Acid test (Quick) ratio. **(3 marks)**
- (b) Explain 6 limitations of Accounting Ratios. **(6 marks)**
- (c) Explain any four purposes of Finance Accounting. **(4 marks)**

Question Two

- (a) Explain each of the Stages of an audit process. **(4 marks)**
- (b) Describe the differences between private and statutory audit. **(6 marks)**
- (c) What are the benefits of audit? **(5 marks)**

Question Three

- (a) Explain the meaning of internal control. **(5 marks)**
- (b) Explain any six types of internal control that will be applicable to a business department **(5 marks)**
- (c) Explain 5 limitations of internal control. **(5 marks)**

Question Four

- (a) Explain in details the Accounting Cycle giving relevant examples at each stage of the cycle **(7 marks)**
- (b) Differentiate between financial accounting and management accounting **(8 marks)**

Question Five

- (a) Explain the meaning of the term Analytical Review Technique. **(3 Mrks)**
- (b) Explain the application of analytical review technique apply in an audit. **(7 marks)**
- (c) Explain 5 limitations of an audit. **(5 marks)**

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