

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

**SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR  
OF PROCUREMENT AND LOGISTICS MANAGEMENT**

**BPLM 271: INTERMEDIATE ACCOUNTING****STREAMS: BPLM (Y2S1)****TIME: 2 HOURS****DAY/DATE: FRIDAY 26/03/2021****2.30 P.M. – 4.30 P.M.****INSTRUCTIONS: Attempt question ONE and any other TWO****QUESTION ONE**

- (a) The following details were extracted from the books of Talii youth club for the year ended 31<sup>st</sup> December 2020

	2019	2020
	Sh.	Sh.
Subscriptions in arrears	240,000	300,000
Subscriptions in advance	200,000	100,000

During the year 2020, subscriptions received amounted to sh. 4.8 million

**Required:**

- Prepare the subscription account for the year 2020 [8 marks]
- (b) Explain three reasons why it is important for an entity to prepare a statement of cash flow [6 marks]
- (c) Using examples, distinguish between capital reserves and revenue reserves. [4 marks]
- (d) The following balances were extracted from the books of Mond limited for the year ended 31<sup>st</sup> December 2020

<b>Item</b>	<b>Sh.</b>
Stock of raw materials 1.1.2020	210,000
Stock of finished goods 1.1.2020	389,000
Work in progress 1.1.2020	135,000
Direct wages	1,800,000
Royalties	70,000
Carriage inwards (on raw materials)	35,000
Purchase of raw materials	3,700,000
General factory expenses	310,000
Factory lighting	75,000
Factory power	137,000
Indirect labour	1,450,000

## BPLM 271

The following additional information is provided as at 31<sup>st</sup> December 2020

1. Stock of raw materials sh. 240,000; stock of finished goods sh.400,000; work in progress sh. 150,000.
2. The factory output is transferred to the trading at factory cost plus 10% of factory profit.

### Required:

Manufacturing account for the period 31<sup>st</sup> December 2020

[12 marks]

### QUESTION TWO

Alex and Bernard are in partnership sharing profits and losses in the ratio 1:2 respectively. The following trial balance was extracted from their books as at 31<sup>st</sup> December 2020.

Account	Dr.	Cr.
Building	700,000	
Motor vehicle	44,000	
Provision for depreciation motor vehicle		13,200
Receivables	64,900	
Payables		44,600
Cash at bank		20,700
Opening inventory	167,900	
Sales		1,522,500
Purchases	841,700	
Discounts allowed	500	
Loan interest	1,600	
Office expenses	10,000	
Salaries and wages	75,000	
Bad debts	2,000	
Loans		50,000
Capital: Alex		140,000
: Bernard		116,000
Current: Alex		53,000
: Bernard	1,200	
Drawings: Alex	25,600	
: Bernard	<u>25,600</u>	
	<u>1,960,000</u>	<u>1,960,000</u>

### Additional information:

1. Inventory as at 31<sup>st</sup> December 2020 amounted to sh.225,000
2. Office expenses sh. 384,000 and wages sh. 800,000 are to be accrued at the year end
3. Motor vehicle is depreciated at 10% on a reducing balance basis while buildings are depreciated at 5% on straight line basis
4. Alex draws a salary of sh. 1,200,000 per annum
5. Partners' capital attracts interest at 5% per annum.
6. Partners drawings are charged interest at 10% in the year they are drawn

## BPLM 271

### Required:

- (a) Income Statement and appropriation account for the year ended 01 December 2020 [12 marks]
- (b) Statement of financial position as at 31 December 2020 [8 marks]

### QUESTION THREE

The following trial balance was extracted from the books of Bright Ltd as at 31<sup>st</sup> December 2020

	Sh."000"	Sh."000"
Ordinary share capital sh. 20 each		3,500
Retained earnings		2,420
General reserves		1,710
10% debentures		2,000
Land and building at cost	4,300	
Plant and machinery at cost	8,300	
Inventory (1 January 2020)	1,900	
Investments	2,310	
Goodwill	2,000	
Accumulated depreciation (1 January 2020)		
Building		200
Plant and machinery		2200
Sales		275000
Purchases	210,000	
Finance cost	100	
Wages and salaries	2540	
Electricity	500	
Cash in hand	35260	
Accounts receivables	21790	
Account payables		<u>1950</u>
	<u>289,000</u>	<u>289,000</u>

### Additional information:

- (a) Inventory valuation as at 31<sup>st</sup> December 2020 was valued at Sh. 2,200,000
- (b) Land and building were acquired three years ago. The building element of cost was estimated at Sh. one million and the estimated useful life of the assets was fifty years at the time of purchase.
- (c) Depreciation is provided on plant and machinery at 10% on reducing balance basis.
- (d) The management wishes to provide for:
- Transfer to general reserves of sh. 160,000
  - Audit fees of sh. 40,000
  - Pending installment of debenture interest (finance cost) for the year
  - Corporation tax estimated at sh. 3 million

### Required:

- (i) Statement of income for the year ended 31 December 2020
- (ii) Statement of financial position as at 31 December 2020

## BPLM 271

### QUESTION FOUR

The following are financial statements of Trend limited for the year ended 31<sup>st</sup> December 2020.

#### Income statement for the year ended 31December 2020

	Sh.
Sales	240,000
Cost of sales	<u>(112,000)</u>
Gross profit	128,000
Administrative expenses	(19,000)
Distribution expenses	<u>(23,400)</u>
Profit before tax	85,600
Taxation	<u>(20,800)</u>
Net profit for the year	<u>64,800</u>

#### Statement of financial position as at

	2020	2019
	Sh.	Sh.
<b>Non-current assets</b>		
Property, plant and equipment	95,600	70,400
Less: accumulated depreciation	<u>(39,000)</u>	<u>(38,000)</u>
	<u>56,600</u>	<u>32,400</u>
<b>Current Assets</b>		
Inventories	36,000	8,000
Account receivables	106,800	34,400
Prepayments	1,600	1,200
Cash in bank	<u>-</u>	<u>2,400</u>
	<u>144,400</u>	<u>46,000</u>
	<u>201,000</u>	<u>78,400</u>
<b>Equity</b>		
Ordinary share capital(sh.200 par value)	20,000	20,000
12% preference shares (sh.200 par value)	4,000	4,000
Retained earnings	<u>44,400</u>	<u>12,000</u>
	68,400	36,000
<b>Non-current liabilities</b>		
15% loan	3,000	2,400
<b>Current liabilities</b>		
Account payables	108,800	27,200
Taxation	<u>20,800</u>	<u>12,800</u>
Total liabilities	<u>132,600</u>	<u>42,400</u>

#### Additional information:

During the year ended 31<sup>st</sup> December 2020, non-current assets originally costing sh. 22,000 were sold for sh. 4,000. The accumulated depreciation on these assets as at the date of disposal was sh. 15,200.

**Required:** statement of cash flow for the year ended 31<sup>st</sup> December 2020

[20 marks]