

CHUKA



UNIVERSITY

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EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF PURCHASING AND LOGISTICS MANAGEMENT

BPLM 271: INTERMEDIATE ACCOUNTING

STREAMS:

TIME: 2 HOURS

DAY/DATE: FRIDAY 24/09/2021

2.30 P.M – 4.30 P.M

INSTRUCTIONS

- Answer question one and any other two questions

QUESTION ONE

- (a) Explain four differences between an income and expenditure account and a receipts and payments account in accounting for not for profit organization. [6 marks]
- (b) The balances of subscription accounts of Mhasibu professional club as at 31st December 2019 and 2020 were as follows:

	2020	2019
Subscriptions in arrears	840,000	720,000
Subscription in advance	1,380,000	540,000

The following additional information is available

Subscriptions amount received and recorded in the receipts and payment account for 2020 was ksh 9,600,000. The subscriptions amount received related to the following periods:

Year	Amount
2019	600,000
2020	7,620,000
2021	1,380,000

Required :

Prepare the subscription account for the year 2020. [6 marks]

(c) John and Joe are in partnership sharing and losses equally . The following list of balances were extracted from the books of account as at 31st December 2020.

	John	Joe
Current account (credit balances)	80,000	60,000
Cash drawings	40,000	20,000
Capital accounts	240,000	180,000

Additional information

1. The partnership made a loss of ksh 100,000 for the year ended 31st December 2020.
2. The partnership agreement provides for the following:
 - Interest is allowed on capital account at the rate of 10% per annum
 - John is entitled to an annual salary of ksh 240,000
 - Interest on cash drawings is charged at the rate of 10% per annum.

Required:

Appropriation account [6 marks]

Partners current accounts [6 marks]

(d) Explain three reasons why it is important for an entity to prepare a statement of cash flow. [6 marks]

QUESTION TWO

Kwetu ltd manufactures chicken and cattle feeds. The following list of balances was extracted from the books of account of the company as at 31st December 2020:

Inventory as at 1 st January 2020	Ksh
Raw materials	1,270,000
Work in progress	1,555,000
Finished goods	1,163,000
Purchase of raw materials	4,576,750
Carriage of raw materials	98,000
Direct labour	4,210,400
Office salaries	1,670,950
Rent	260,000
Electricity (office)	221,000
Depreciation expenses: Machinery	510,000

	:Equipment (office)	115,000
Sales		15,931,100
Electricity (factory)		406,000

Additional information:

1. Inventory as at 31st December 2020 was given as follows:

	Ksh
Raw materials	1,445,000
Work in progress	1,230,000
Finished goods	1,442,000

2. Rent is to be apportioned between factory and office in the ratio 3:1

3. Finished goods are transferred from factory to sales at a markup of 20 per cent.

Required :

- (i) Manufacturing account for the year ended 31st December 2020. [14 marks]
- (ii) Income statement for the year ended 31st December 2020. [6 marks]

QUESTION THREE

The following trial balance was extracted from the books of Bright ltd as at 31st December 2019.

	Dr ksh '000	Cr ksh '000
Ordinary share capital (ksh 5 par value)		150,000
Inventory 01 Jan 2019	97,800	
Receivables and prepayments	40,800	
Payables and accruals		20,500
Bank		9,000
12% debentures		30,000
General reserves		44,000
Bad debts	500	
Sales		550,000
Purchases	380,000	
Wages and salaries	42,300	
Insurance and rates	2,100	
Telephone expenses	900	
Electricity and water	1,800	
Debentures interest	1,800	
Directors fees	3,700	
General expenses	5,600	
Motor vehicle	59,100	
Accumulated depreciation motor vehicle		18,900
Furniture and equipment	40,000	

Accumulated depreciation furniture & equipment		15,000
Land and building	198,000	
Retained earnings 01Jan 2019		<u>36,000</u>
	<u>873,400</u>	<u>873,400</u>

Additional information

- The closing inventory was valued at ksh 125 million
- Depreciation is provided as follows:
 - Motor vehicle at a rate of 20% per annum on cost.
 - Furniture and equipment at a rate of 10% per annum on reducing balance basis.
- As at 31st December 2019, an amount of ksh 822,000 for electricity consumed had not been paid.
- The insurance expense amount on 31st December 2019 includes an amount of ksh 450,000 for the period of 1st Jan 2020 to 30th June 2020.
- A provision for audit fees of 7 million is to be made.
- The directors recommend that :
 - ksh 18 million to be transferred to the general reserve
 - Dividend of ksh 0.50 per share is to be paid.

Required:

- Income statement for the year ended 31st December 2019 [12 marks]
- Statement of financial position as at 31st December 2019. [8 marks]

QUESTION FOUR

The following is the income statement and statement of financial position of Bright limited for the year ended 31st December 2020.

Statement of financial position as at 31st Dec 2020

	2020	2019
	Ksh '000'	'000'
Assets		
Property, plant and equipment	19,200	16,000
Less accumulated depreciation	(8,100)	(6,400)
Inventory	3,200	2,400
Accounts receivables	4,540	4,800
Cash and bank	<u>6,000</u>	<u>4,400</u>
	<u>24,840</u>	<u>21,200</u>
Equity and liabilities		

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Ordinary share capital	9,260	8,000
Retained earnings	7,840	4,200
10% debentures	-	2,000
Other payables	1,900	1,000
Accounts payables	2,900	2,600
Income tax payable	<u>2,940</u>	<u>3,400</u>
	<u>24,840</u>	<u>21,200</u>

Income statement for the period ended 31st December 2020

	Ksh '000'
Revenue	42,000
Cost of sales	<u>(28,000)</u>
Gross profit	14,000
Operating expenses:	
Selling and administration cost	<u>(8,800)</u>
Profit before taxes	5,200
Income tax expense	<u>(1,560)</u>
Net profit	<u>3,640</u>

Additional information :

1. Depreciation is treated as a selling and administration cost.

Required :

- (a) State of cash flow for the year ended 31st December 2020. [15 marks]
 - (b) Explain the contents of a partnership deed. [5 marks]
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