

CHUKA



UNIVERSITY

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**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF PROCUREMENT
AND LOGISTICS AMANEGEMENT**

BPLM 271: INTERMEDIATE ACCOUNTING**STREAMS: BPLM Y2S1****TIME: 2 HOURS****DAY/DATE: MONDAY 01/11/2021****11.30 A.M. – 1.30 P.M.****INSTRUCTIONS:**

- ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

Question One:

- a) Describe a statement of affairs and explain why it is prepared by accountants. (6 marks)
- b) Briefly explain any four main contents of partnership agreement. (6 marks)
- c) ABC Golf club has presented the following information relating to subscriptions from members as at 31st December 2019

	01 Jan 2019	31 Dec 2019
	Sh.	Sh.
Subscriptions due from Members	300,000	375,000
Subscriptions received in advance	85,000	70,000

Additional information:

1. The receipt and payment account recorded subscriptions from members as follows for the year to 31st December 2019

	Sh.
Subscriptions receipts for 2018	249,000
Subscriptions receipts for 2019	2,050,000
Subscriptions receipts for 2020	194,000

2. It is the policy of the club to write-off subscriptions in arrears after 12 months

Required:

A subscription account for year ended 31st December 2019 (8 marks)

- d) ABC Ltd made a profit before tax of Sh. 61,390,000 for the year ended 31st December 2020. The retained profit balance brought forward as at 1st January 2020.

The management wishes to provide for:

- Transfer to general reserves of Sh. 160,0000
- Audit fees of Sh.40,000
- Corporation tax estimated at Sh.3 million

Required.

The income appropriation account for the year ended 31st December 2020. (8 Marks)

e) Briefly explain the major classification of activities reported in the statement of cash flows

(6 marks)

Question Two

Chris and Fred have been trading in partnership as ChriFre Traders. The following trial balance was extracted from the books of the partnership as at 31 December 2019.

Item	Dr Sh. '000'	Cr Sh. '000'
Capital account – 1 January 2019		
Chris		155,000
Fred		55,000
Current accounts – 1 January 2019		
Chris		15,500
Fred		25,500
Sales		765,000
Stock – 1 January 2019	155,000	
Salaries and Wages	75,250	
Rent	25,500	
General Expenses	15,500	
Electricity	5,600	
Debtors/Creditors	75,000	57,750
Transport Costs	25,650	
Drawings:		
Chris	35,500	
Fred	45,500	
Cash in hand	25,250	
Property, plant and Equipment	35,000	
Purchases	555,000	
	1,073,750	1,073,750

Additional information:

1. Stock as at 31 December 2019 was valued at Sh.205 million
2. A depreciation charge with respect to the property, plant and equipment amounting to Sh.5,750,000 will be made for the year ended 31 December 2019

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3.As at 31 December, 2019, wages amounting to Sh.5,250,000 were accrued and rent amounting to Sh.5,500,000 was prepaid.

4.The partnership agreement provided that profits and losses should be shared equally between the partners after:

- Allowing for annual salaries of Sh.15 million for Chris and Sh.25 million for Fred.
- Allowing interest of 5% per annum on the balance of each partner’s capital account
- Charging Chris KSh.5,100,000 and Fred KSh.5,150,000 as interest on drawings

5.The partnership maintains its books of accounts based on the fixed capital system.

Required:

- a) Income statement and appropriation account for the year ended 31st December 2019.(10 marks)
- b) Statement of financial position as at 31st December 2019 (10 marks)

Question Three:

The following is a trial balance of Faida ltd, a plastic manufacturing firm for the year ended 31 December 2020

	Dr	Cr
	Shs.000	Shs.000
Stock of raw materials 1.1.2020	21,000	
Stock of finished goods 1.1.2020	38,900	
Work in progress 1.1.2020	13,500	
Direct Wages	180,000	
Factory indirect wages	145,000	
Supervisors Salary	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost 280,000)	230,000	
Accounting machinery (cost 20,000)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Sales representatives’ salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1000,000
Debtors and creditors	142,300	125,000
Bank	56,800	
Cash	1,500	

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Drawings	20,000	
Capital as at 1.1.2020		<u>29,680</u>
	<u>1,421,800</u>	<u>1,421,800</u>

Additional information

As at 31 December 2020;

1. Stock of raw materials 24,000,000 stock of finished goods 40,000,000 work in progress 15,000,000

2. Lighting, and rent and insurance are to be apportioned: factory 5/6ths, administration 1/6th.

3. Depreciation on productive and accounting machinery at 10 per cent per annum on cost.

Required:

(a) Statement of manufacturing, profit or loss and other comprehensive income for the year ended 31 December 2020

(b) Statement of financial position as at 31 December 2020 **(20 marks)**

Question Four

a) Describe Not-for-profit-organizations and how accounting for Not-for-profit-organizations differs from that of Profit making organizations (4 marks)

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

Statement of financial position as at 31st Dec 2020

	2020	2019
Assets	Sh.'000'	Sh.'000'
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	6,000	4,400
	<u>24,840</u>	<u>21,200</u>
Equity and Liabilities		
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	2,940	3,400
	<u>24,840</u>	<u>21,200</u>

Income statement for the period ended 31st December 2020

	Sh'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><u>3,640</u></u>

Additional information;

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

Required:

Statement of cash flow for the year ended 31st December 2020.

(16 marks)
