

CHUKA



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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: MONDAY 10/12/2018

8.30 AM – 10.30 AM

INSTRUCTIONS:

Answer Question One and any Two Questions

QUESTION ONE

- (a) Briefly explain the major classification of activities reported in the statement of cash flows. [6 marks]
- (b) Fit Golf Club has presented the following information relating to subscriptions from members as at 31st December 2018.

	01 Jan 2018	31 Dec 2018
	Sh	Sh
Subscriptions due from members	1,440,000	1,620,000
Subscriptions received in advance	0	770,000

Additional information

The receipt and payment account recorded subscriptions from members as follows for the year to 31st December 2018

	Sh
Subscriptions receipts for 2017	620,000
Subscriptions receipts for 2018 and 2019	14,080,000

Required:

A subscription account for year ended 31st December 2018

[6 marks]

- (c) The financial statements extract of Times Limited is provided below for the period ended 31st December 2016 and 2017

Statement of Comprehensive Income Extract

	Shs. '000'	Shs. '000'
Sales	25,800	25,530
Cost of sales	<u>(15,000)</u>	<u>(18,140)</u>
Gross profit	<u>10,800</u>	<u>7,390</u>

Statement of Financial Position Extract

	Sh '000'	Sh '000'
Current Assets		
Inventories	1,500	1,020
Receivable	3,900	3,150
Cash in hand	<u>2,100</u>	<u>1,000</u>
	<u>7,500</u>	<u>5,170</u>
Current liabilities		
Trade payables	1,270	1,190
Bank overdraft	850	980
	<u>2,120</u>	<u>2,170</u>

Required:

- (i) Quick ratio or Acid test ratio [4 marks]
 (ii) Profit margin [4 marks]
 (iii) Comment on the profitability and liquidity of Times Limited [4 marks]
- (d) Define what 'incomplete records' are and explain three reasons why a business entity would maintain incomplete records. [6 marks]

QUESTION TWO

- (a) The following is the income statement and statement of financial position of Excel limited for the year ended 31st December 2017.

Income statement for the period ended 31st December 2017

	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>3,640</u>
	=====

Statement of financial position as at 31st Dec 2017

	2017	2016
	Sh '000'	Sh '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>
	24,840	21,200
	=====	=====
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	<u>2,940</u>	<u>3,400</u>
	24,840	21,200
	=====	=====

Additional information

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

Required:

Statement of cash flow for the year ended 31st December 2017 [16 marks]

- (b) Explain the treatment of life membership subscriptions when preparing the financial statements of not for profit organizations. [4 marks]

QUESTION THREE

- (a) Briefly explain any four limitations of ratio analysis. [4 marks]
- (b) The following trial balance was extracted from the books of Real Ltd. As at 30 June 2018

Sh '000'

Sh '000'

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Revenue		14,800
Cost of sales	10,200	
Distribution costs	1,080	
Administrative expense	1,460	
Land	10,500	
Building: cost	8,000	
Acc: Depreciation (1 Jun 2017)		2,130
Plant and equipment: Cost	12,800	
Acc. Depreciation (1 Jul 2017)		2,480
Ordinary shares sh. 40 each (1 Jul 2017)		10,000
Share premium		3,000
Revaluation reserve		3,000
Retained earnings		6,630
10% debentures		<u>2,000</u>
	<u>44,040</u>	<u>44,040</u>
	=====	=====

Additional information:

- (a) Depreciation is provided on buildings and plant & equipment at 2% on straight line and 20% on reducing balance basis respectively.
- (b) The directors have recommended a final dividend of sh. 2 per share
- (c) The debenture interest for the year is to be accrued as at 30th June 2018
- (d) The estimated corporation tax for the year was estimated at sh. 1 million

Required:

Statement of Income and statement of financial position for the year ended 30 June 2018.

[16

marks]

QUESTION FOUR

- (a) Xedric, Yvonne and Zablon are partners operating a business under the name XYZ traders. The trial balance for the partnership as at 31st December 2018 was as follows:

		Sh '000'	Sh '000'
Capital Accounts	Xedric		3,000
	Yvonne		1,500
	Zabron		2,500
Current Accounts	Xedric		90
	Yvonne	40	
	Zabron	20	
Gross profit			3,086
Trade receivables and payables		3,740	1,560
Insurance		224	
Staff salaries		960	
Bank balance		1,330	

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Advertising		430	
Inventory		850	
Furniture and fittings (cost)		1,200	
Motor vehicle (cos)		2,300	
Provision for depreciation			
Furniture and fittings			200
Motor vehicle			460
Drawings	Xedric	153	
	Yvonne	206	
	Zablon	179	
Discounts allowed and received		80	
Rent and rates		360	
Cash in hand		420	
		<u>12,492</u>	<u>12,492</u>
		=====	=====

Additional information:

- The advertising expense prepaid as at 31st December 2018 amounted to sh. 270,000
- Staff salaries outstanding as at 31st December 2018 were sh. 50,000
- The partnership agreement provided the following:
 - Interest on capital balances is allowed at 8% per annum
 - Xedric, Yvonne and Zabron are entitled to salaries of sh. 180,000, 140,000 and sh. 160,000 respectively
 - No interest is charged on drawings
 - Profit and losses are shared equally among the partners.
- Depreciation is provided for motor vehicle at 10% on straight line basis while depreciation on furniture and fittings at 20% on reducing balance basis.

Required:

- income statement and appropriation account for the year ended 31st December 2018. [10 marks]

marks]

- Statement of financial position as at 31st December 2018. [10 marks]