

**CHUKA****UNIVERSITY****UNIVERSITY EXAMINATIONS****CHUKA, EMBU AND THARAKA CAMPUSES**

**EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT  
AND DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT**

**DIAC 0112: PRINCIPLES OF ACCOUNTING II****STREAMS: DIBM/DPLM Y1S2****TIME: 2 HOURS****DAY/DATE: TUESDAY 04/12/2018****8.30 A.M. – 10.30 A.M.****INSTRUCTIONS:**

- Answer question one and any other two questions

**Question one**

1. (a) John and Jimmy are in a partnership sharing profits in the ratio 3:2. The following is their trail balance as at 30<sup>th</sup> Sept. 2015.

	Dr (ksh)	Cr (ksh)
Building (costs 210,000)	160,000	
Fixtures at cost	8,200	
Provision for depreciation:		4,200
Fixtures		
Accounts receivables	61,400	
Accounts payable		26,590
Cash at bank	6130	
Inventory at 30 <sup>th</sup> Sep 2014	62,470	
Sales		363,111
Purchases	210,000	
Carriage outwards	3,410	
Discount allowed	620	
Loan interest	3900	
Office expenses	4,760	
Salaries and wages	57,809	
Bad debts	1632	
Allowance for doubtful debts		1,400
Loan KCB		65,000
Capital John		100,000

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		75,000
Jimmy		
Current account John		4,100
Jimmy		1,200
Drawings John	31,800	
Jimmy	<u>28,200</u>	-----
	640,601	640,601
	=====	=====

**Additional information**

- (i) Inventory 30<sup>th</sup> Sep 2015 Ksh 74,210
- (ii) Expenses accrued: office expense Ksh 215
- (iii) Prepaid expenses: wages ksh 720
- (iv) Depreciation fixtures at 15% on reducing balance basis and buildings at 5% on straight line method.
- (v) Reduced provision for doubtful debts to Ksh 1,250
- (vi) Partnership salary of ksh 30,000 is payable to John
- (vii) Interest on drawings John Ksh 900, Jimmy Ksh 600.
- (viii) Interest on capital account balances at 5% in paid to partners.

**Required:**

- (i) Trading profit and loss and appropriate account. (15 marks)
- (ii) Partners' current account (6 marks)
- (iii) Statement of financial position as at 30<sup>th</sup> Sep 2015. (9 marks)

**QUESTION TWO**

The following trail balance was extracted from the books of Maara manufactures limited on 31<sup>st</sup> Dec 2014.

	Dr. (shs)	Cr (shs)
Stock at January 2014		
Raw materials	459,000	
Work in progress	578,000	
Finished goods	516,800	
Plant and machinery	1,500,000	
Office furniture and equipment	470,000	
Sales of finished goods		7,735,000
Purchase of raw materials	1,870,000	
Factory wages	1,275,000	
Supervisory salaries	170,000	
Factory insurance	61,200	
Factory electricity and power	51,000	
Plant repairs and maintenance	136,000	
Advertising	33,000	

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Factory rates	57,600	
Office salaries and wages	680,000	
Office electricity and water	142,000	
Telephone, faxes and emails	28,500	
Postages and stationery	28,500	
Debtors	444,000	
Creditors		323,000
Cash at bank	181,000	
Capital		661,200
Bank charges and interests	21,500	
Bad debts w/off	<u>16,100</u>	-----
	<u>8,719,200</u>	<u>8,719,200</u>
	=====	=====

Additional information:

- (i) Stocks as at 31<sup>st</sup> Dec 2014  
 Raw materials Sh. 510,000  
 WIP 680,000  
 Finished goods 425,000
- (ii) Depreciation is to be charged as follows  
  
 Plant and machinery 25%  
 Furniture and equipment 12.5%

**Required:**

The manufacturing, trading profit and loss account for the year ended 31<sup>st</sup> Dec 2014.

(15 marks)

- (b) Explain the reason for preparing Bank Reconciliation Statements. (5 marks)

**QUESTION THREE**

- (a) Mark is a sole trader in a business known as Mark traders. He keeps his petty cash on imprest system amount being Ksh 40, 000. The following are the petty cash transactions for the month of March 2015.

1 <sup>st</sup> petty cash in hand	40,000
2 <sup>nd</sup> paid wages	3978
3 <sup>rd</sup> cost of E-mail	2716
13 <sup>th</sup> paid wages	5840
15 <sup>th</sup> bought fools cap paper	3090
19 <sup>th</sup> paid wages	5940
21 <sup>st</sup> bought postage stamps	2420
24 <sup>th</sup> paid wages	5996
26 <sup>th</sup> bought pens	2352
27 <sup>th</sup> bought envelopes	1940

**Required:**

- (i) Write a petty cash book to record above transactions with column for wages, postage and stationery on imprest system. (10 marks)
- (b) The following is an extract from the cash book (bank column only) of John, a sole trader, for the month ended 31 January 2017.

	Sh.		Sh.
Balance b/d	703,500	Payments	7,760,000
Receipts	7,536,500	Bal. c/d	480,000

**Additional information:**

- I. The bank statement as at 31 January 2007 showed that the bank account was overdrawn by Sh. 62,000.
- II. Bank charges of Sh. 17,500 had not been entered in the cash book.
- III. A cheque drawn of Sh. 23,500 had been entered in the cash book as a receipt.
- IV. A cheque for Sh. 9000 had been returned unpaid by the bank but had not been written back in the cash book.
- V. The opening balance of the cash book should have been brought down as Sh. 735,000
- VI. Cheques paid to suppliers for Sh. 107,000, Sh. 15,000 and Sh. 185,000 had not yet been debited by the bank.
- VII. The last pay-in-slip for the month showing a deposit of Sh. 771,000 had not yet been credited by the bank.
- VIII. The bank had debited a cheque for Sh. 36,000 by mistake of John account.

**Required:**

- (i) Updated cash book as at 31 January 2007. (6 marks)
- (ii) Bank reconciliation statement as at 31 January 2007. (4 marks)

**QUESTION FOUR**

- (a) The following is an extract of Jamii limited financial statement for 2005 and 2006

Balance sheet as at 30<sup>th</sup> June 2006

	<b>2005</b>	<b>2005</b>
Non-current asset	72,500	75,000
Current assets		
Inventory	24,500	26,500

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Receivables	34,000	36,500	
Cash at bank	<u>1,250</u>	<u>2,250</u>	
	132,250	140,250	
	=====	=====	
Cappital and Reserves			
Issued share capital	50,000	50,000	
	26,100	32,600	
Non-current liabilities			
Bank loans 10%	20,000	21,000	
Current liabilities			
Trade payables	31,900	31,000	
Taxation	2,250	2,950	
Dividend	<u>2,000</u>	<u>2,150</u>	
	132,250	140,250	
	=====	=====	

Profits and loss a/c year ended 30<sup>th</sup> June 2006.

	Sh '000'		
Sales revenues	195,000		
Profits from operations	13,750		
Interest cost	(2150)		
Profit before taxation	11600		
Income tax expenses	(2950)		
Profit after tax	8650		
Dividends	<u>(2150)</u>		
Net profit for the period	6500		
	=====		

**Additional information**

Depreciation charge for the year Sh. 6,000,000

Non-current assets disposed in year at Sh. 300,000 had an accumulated depreciation of Sh. 175,000 and has costed Sh. 500,000.

Required:

- (i) Prepare a cash flow statement using indirect method. (14 marks)
- (b) Explain the differences between accounting for NPO and the accounting for profit making organizations. (6 marks)