

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE**

BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS: BCOM (Y1S2)

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 07/8/2019

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE

- (a) Explain the reasons for preparing bank reconciliation statement. [5marks]
- (b) Burton and Peter are in a partnership sharing profits in the ratio 3:2. The following is their trial balance as at 31st Dec 2017.

	Dr (ksh)	Cr (ksh)
Buildings (costs 210,000)	160,000	
Fixtures at cost	8,200	
Provision for depreciation: Fixtures		4,200
Accounts receivables	61,400	
Accounts payable		26,320
Cash at bank	6130	
Inventory at 30 th Sept 2017	62,470	
Sales		363,111
Purchases	210,000	
Carriage outwards	3,410	
Discount allowed	620	
Loan interest	3900	
Office expenses	4,760	
Salaries & wages	57,809	
Bad debts	1632	
Allowance for doubtful debts		1,400
Loan KCB		65,000
Capital: Burton		100,000
Peter		75,000
Current account: Burton		4,100
Peter		1,200
Drawings: Burton	31,800	
Peter	<u>28,200</u>	
	<u>640,331</u>	<u>640,331</u>

Additional information:

- (i) Inventory 31st Dec 2017 sh. 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) Reduce provision for doubtful debts to ksh. 1, 250
- (vi) Partnership salary of ksh 30,000 is payable to Burton
- (vii) Interest on drawings: Burton sh. 900, Peter sh. 600
- (viii) Interest on capital account balances at 5% is paid to partners

Required:

- (i) Trading profit and loss and appropriation account [12 marks]
- (ii) Partners' current account [5 marks]
- (iii) Statement of financial position as at 31st Dec 2017 [8 marks]

QUESTION TWO

- (a) Daris is a sole trader in a business known as Daris traders. He keeps his petty cash on imprest system amount being sh. 40,000. The following are the petty cash transactions for the month of April 2014

1 st : Petty cash in hand	40,000
2 nd : Paid wages	3978
3 rd : Cost of email	2716
14 th : Paid wages	5840
17 th : Bought fouls cap papers	3090
18 th : Paid wages	5940
20 th : Bought postage stamps	1420
22 nd : Paid wages	4996
27 th : Bought pens	2352
28 th : Bought envelopes	1940

Required:

- Write a petty cash book to record above transactions with column for wages, postage and stationery on imprest system. [10 marks]
- (b) Explain how accounting for nonprofit making organization is different from that of profit making organization. [6 marks]
 - (c) Explain the content of a partnership deed. [4 marks]

QUESTION THREE

The following balances were extracted from the books of Taba Ltd. a manufacturing and trading company, as at 31 October 2017

	Dr	Cr
Purchase of raw materials	2,580,000	
Fuel and light	210,000	
Administration salaries	170,000	
Factory wages	590,000	
Carriage outwards	40,000	
Rent and business rates	210,000	
Sales		4,820,000
Return inwards	70,000	
General office expenses	90,000	
Repairs to plant and machinery	90,000	
Stock at 1 November 2015:		
Raw materials	210,000	
Work in progress	140,000	
Finished goods	230,000	
Trade payables		370,000
Trade receivables	200,000	
Capital account		4,570,000
Freehold premises	4,100,000	
Plant & machinery	800,000	
Accumulated provision for depreciation: plant & machinery		80,000
Cash at bank	<u>110,000</u>	
	<u>9,840,000</u>	<u>9,840,000</u>

The following additional information is provided:

- (i) Stock in hand at 31st Dec 2015

Raw materials	Sh. 250,000
Work in progress	Sh. 110,000
Finished goods	Sh. 260,000
- (ii) Depreciation is provided at 10% on plant and machinery using the straight line method.
- (iii) The amount outstanding for fuel and light was sh. 40,000 and 80% of fuel and light relate to the manufacturing
- (iv) Rent and business rates paid in advance amounted to sh. 50,000 and 75% of rent and rates relates to the manufacturing
- (v) The provision for doubtful debts is to be made at 5% of trade receivables
- (vi) The market value of finished goods was sh. 3, 820, 000

Required:

- (a) Manufacturing, trading and statement of income for the year ended 31st Dec 2015. [12 marks]
- (b) Statement of financial position as at 31st Dec 2015 [8 marks]

QUESTION FOUR

- (a) Explain the following terms:
- (i) Conversion cost [2 marks]
 - (ii) Direct material cost [2 marks]
 - (iii) Prime cost [2 marks]
- (b) The following is an extract of Kwetu Limited financial statements for 2013 and 2014

	2013	2014
Non- current asset	72,500	75,000
Current assets:		
Inventory	24,500	26,500
Receivables	34,000	36,500
Cash at bank	1,250	2,250
	132,250	140,250
Capital & liabilities		
Issued share capital	50,000	50,000
Reserves	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>
	<u>132,250</u>	<u>140,250</u>

Profits and loss a/c year ended 31st Dec 2014

	Sh '000'
Sales revenue	195,000
Profits from operation	13,750
Interest cost	(2,150)
Profit before taxation	11,600
Income tax expenses	(2,950)
Profit after tax	8,650
Dividends	<u>(2,150)</u>
Net profit for the period	<u>6,500</u>

Additional information:

- (i) Depreciation charge for the year sh. 6, 000,000
- (ii) 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

Cash flow statement using indirect method [14 marks]