

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF COMMERCE

BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS: BCOM YISI (ODEL)

TIME: 2 HOURS

DAY/DATE: TUESDAY 03/12/2019

8.30 AM – 10.30 AM

INSTRUCTIONS:**ATTEMPT QUESTION ONE AND ANY OTHER TWO****QUESTION ONE**

- (a) Explain four reasons for formation of a partnership. [4 marks]
- (b) 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 sales	170,000	
Factory wages	590,000	
Carriage outwards	40,000	
Rent and business rates	210,000	
Sales		4,820,000
Returns inward	70,000	
General office expenses	90,000	
Repairs to plant and machinery	90,000	
Stock at 1 November 2016		
Raw materials	210,000	
Work in progress	140,000	
Finished goods		230,000
Trade payables		370,000
Capital account		4,570,000
Freehold premises	4,100,100	

Plant and machinery	800,000	
Accumulated provision for depreciation on plant and machinery		80,000
Trade receivables	200,000	
Cash at bank	110,000	
	9,840,000	9,840,000

The following additional information is provided:

- Stock in hand at 31 October 2017:
Raw materials sh. 250,000
Work in progress sh. 110,000
Finished goods sh. 260,000
- Depreciation is provided at 10% on plant and machinery using the straight line method
- The amount outstanding for fuel and light was sh. 40,000 and 80% of fuel and light to the manufacturing
- Rent and business rates paid in advance amounted to sh. 50,000 and 75% of rent and rates relates to the manufacturing
- The provision for doubtful debts is to be made at 5% of trade receivables
- The market value of finished goods was sh. 3,820,000

Required:

- Manufacturing, trading and statement of income for the year ended 31 October 2017
- Statement of financial position as at 31 October 2017 [7 marks]

QUESTION TWO

- Describe the contents of a full set of company financial statements. [5 marks]
- The following information was obtained from the books of Peter and Kamau who have been carrying out partnership books together for the year ended 31 December 2017.

		Dr 'Sh'	Cr 'Sh'
Capital	Peter		190,000
	Kamau		230,000
Current	Peter		80,000
	Kamau		90,000
Plant		300,000	
Furniture		50,000	
Motor vehicle		240,000	
Salaries		36,000	
Rent		45,000	
Purchases		570,000	

Returns		9,000	
Cash		70,000	
Discounts		12,000	
Debtors and Creditors		64,000	
Drawings	Peter	73,000	
	Kamau	120,000	
Carriage inwards		17,000	
Sales			980,000
Stock		80,000	
		1,686,000	1,686,000

Additional information:

1. Profit sharing ratio between Peter and Kamau 3:2 respectively
2. Closing stock 130,000
3. Salaries accrued 15,000
4. Prepaid rent 6,000
5. Interest on capital at 8%
6. Depreciate plant at 10%, furniture at 5% and motor vehicle at 20%
7. Peter is entitled to a monthly salary of sh. 6,000 and Kamau commission of 5% on sales
8. A provision for doubtful debt is to be made at a rate of 2%

Required:

- (i) Statement of income and appropriation account for the year ended 3rd December 2017. [15 marks]

QUESTION THREE

- (a) Briefly explain 4 distinctions between ‘Receipts and Payment account’ and ‘income and expenditure account.’ [4 marks]
- (b) The comparative statement of financial position of Bright Ltd at the beginning and end of year 2016 is presented below:

Bright Limited		
Statement of Financial Position		
	2016	2015
	Sh.	Sh.
Assets		
Equipment	37,000	22,000
Accumulated Dep. On equipment	(17,000)	(11,000)
Cash	22,000	13,000
Receivables	106,000	88,000
Total assets	148,000	112,000
Equity and liabilities		

Share capital	100,000	80,000
Retained earnings	28,000	17,000
Payables	20,000	15,000
Total Equity and Liabilities	148,000	112,000

Net profit of sh. 34,000 was reported and dividends of sh. 23,000 were paid in 2016
Required:

Prepare a statement of cash flows for the year 2016. [15 marks]

QUESTION FOUR

- (a) Describe reasons for keeping incomplete set of accounts. [5 marks]
- (b) Describe or show how to derive the following figures under incomplete records.
- (i) Sales [3 marks]
 - (ii) Purchases [3 marks]
 - (iii) Specific expense [3 marks]
 - (iv) Capital [3 marks]
 - (v) Specific revenue [3 marks]
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