

CHUKA**UNIVERSITY****UNIVERSITY EXAMINATIONS**

**FIRST YEAR EXAMINATION FOR THE AWARD OF DIPLOMA IN
PROCUREMENT AND LOGISTICS MANAGEMENT, DIPLOMA IN BUSINESS
MANAGEMENT AND DIPLOMA IN ACCOUNTANCY**

DIAC 0112: PRINCIPLES OF ACCOUNTING II**STREAMS: DIAC Y1S2****TIME: 2 HOURS****DAY/DATE: FRIDAY 06/12/2019****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 ration 3:2. The following is their trial balance as at 30th Sep 2015.

	Dr (ksh)	Cr (ksh)
Buildings (cost 210,000)	160,000	
Fixtures at cost	8,200	
Provision for depreciation:		
Fixtures		4,200
Accounts receivables	61,400	
Accounts payable		26,590
Cash at bank	6,130	
Inventory at 30 th Sep 2014	62,470	
Sales		363,111
Purchases	210,000	
Carriage outwards	3,410	
Discount allowed	890	
Loan interest	3,900	
Office expenses	4,760	
Salaries & wages	57,809	
Bad debts	1,632	
Allowance for doubtful debts		1,400

Loan KCB		65,000
Capital: John		100,000
Jimmy		75,000
Current accounts John		4,100
Jimmy		1,200
Drawings: John	31,800	
Jimmy	<u>28,200</u>	-----
	<u>640,601</u>	<u>640,601</u>

Additional information

- (i) Inventory 30th Sep 2015 ksh 74,210.
- (ii) Expenses accrued: office expenses 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% is paid to partners.

Required:

- (i) Trading profit and loss appropriation account. (15 marks)
- (ii) Partners' current account. (6 marks)
- (iii) Statement of financial position as at 30th Sept 2015. (9 marks)

QUESTION TWO

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
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	

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Finished goods	230,000	
Trade payables		370,000
Capital account		4,570,000
Freehold premises	4,100,000	
Plant and machinery	800,000	
Accumulated provision for depreciation on plant and machinery		80,000
Trade receivables	200,000	
Cash at bank	110,000	
	<u>9,840,000</u>	<u>9,840,000</u>

The following additional information is provided:

1. Stock in hand at 31 October 2017:

Raw materials	Sh. 250,000
Work in progress	Sh. 110,000
Finishes goods	Sh. 260,000
2. Depreciation is provided at 10% on plant and machinery using the straight line method.
3. The amount outstanding for fuel and light was Sh. 40,000 and 80% of fuel and light relate to the manufacturing.
4. Rent and business rates paid in advance amounted to Sh. 50,000 and 75% of rent and rates relates to the manufacturing.
5. The provision for doubtful debts is to be made at 5% of trade receivables.
6. 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. (12 marks)

Statement of financial position as at 31 October 2017. (8 marks)

QUESTION THREE

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

Balance sheet as at 30th June 2006

	2005	2006
Non-current asset	<u>72,500</u>	<u>75,000</u>
Current assets		
Inventory	24,500	26,500
Receivables	34,000	36,500
Cash at bank	<u>1,250</u>	<u>2,250</u>
	<u>132,250</u>	<u>140,250</u>
<u>Capital & Reserves</u>		
Issued share capital	50,000	50,000
	26,100	32,600
<u>Non-current liabilities</u>		
Bank loans 10%	20,000	21,000
<u>Current liabilities</u>		
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 30th June 2006.

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

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 three differences between accounting for NPO and the accounting for profit making organizations. (6 marks)

QUESTION FOUR

- (a) Explain three reasons for the differences between a cashbook and bank statement balances. (6 marks)
- (b) Distinguish between the following terms as applied in accounting:
 - (i) Conversion cost (2 marks)
 - (ii) Direct cost and indirect cost (2 marks)
 - (iii) Cost of goods sold and cost of goods manufactured (2 marks)
- (c) Kifarú traders, a sole proprietor business based in Bahari town keeps its petty cash on an imprest system.

The following are the petty cash transactions for the month of April 2018.

- April 1: Received for petty cash payments a float of Sh. 2,000
- April 2: Paid for postage Sh. 160
- April 5: Paid for stationery Sh. 100
- April 8: Paid for advertisements Sh. 200
- April 12: Paid for wages Sh. 80
- April 16: Paid for transport Sh. 150
- April 20: Paid for postage Sh. 40
- April 22: Paid for transport Sh. 60
- April 27: Paid for tea and snacks Sh. 100
- April 28: Paid wages to cleaner Sh. 50
- April 30: Paid for postage Sh. 40

Required:

Prepare a petty cash book on imprest system for Kifarú traders for the month of April 2018 having analysis columns for postage, wages and office expenses. (8 marks)
