

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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: MONDAY 4/12/2017

8.30 A.M – 10.30 A.M

INSTRUCTIONS:

- Answer question one and any other two questions

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

	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		26,590
Cash at bank	6130	
Inventory at 30 th sept 2014	62,470	
Sales		363,111
Purchases	210,000	
Carriage outwards	3,410	
Dsicounte 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 : John		100,000

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

Additional information

- (i) Inventory 30th 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% is paid to partners.

Required :

- (i) Trading profit and loss appropriation account. [13marks]
- (ii) Partners current account . [5marks]
- (iii) Statement of financial position as at 30th Sept 2015. [8marks]

(b) Highlight four reasons for difference between the cash book balance and the bank statement balance. [4marks]

2. The following cashbook bank column and bank statement were provided by Ndagani enterprises ltd for the month of Dec 2016.

Cashbook 31st Dec 2016

Date	Particulars	Ksh	Date	Particulars	Ksh
Dec 1	Balance b/d	1,740,000	Dec 8	A.Dailey	349,000
Dec 7	T.J Masters	88,000	Dec 15	R.Mason	330,000
Dec 22	J.Ellis	73,000	Dec 28	G small	115,000
Dec 31	K.Wood	249,000	Dec 31	Bal c/d	1,831,000
Dec 31	M.Barrett	<u>178,000</u>			-----
		2,328,000			2,328,000
		=====			=====

Bank statement as at 31st Dec 2016

Date	Particulars	Dr	cr	balance
Dec 1	Bal b/f			1,740,000
Dec 7	T.J Masters		88,000	1,828,000
Dec 11	A.Dailey	349,000		1,479,000
Dec 20	R.Mason	33,000		1,446,000
Dec 22	J.Elis		73,000	1,519,000
Dec 30	Credit transfer		54,000	1,573,000
Dec 31	Bank charges	22,000		1,551,000
Dec 31	A.Bushston		10,000	1,561,000

Required :

- (i) Updated cashbook as at 31st December 2016. [6marks]
- (ii) Bank reconciliation statement as at same date. [4marks]

(b) Mark is a sole trader in a business known as a 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 st petty cash in hand	40,000
2 nd paid wages	3978
3 rd cost of E-mail	2716
13 th paid wages	5840
15 th bought fools cap paper	3090
19 th paid wages	5940
21 st bought postage stamps	2420
24 th paid wages	5996
26 th bought pens	2352
27 th Bought envelopes	1940

Required :

- (i) Write a petty cash book to record above transactions with column for wages, postage and stationery on imprest system. [10marks]

3. The following balances have been extracted from the books of Limau manufacturers as at 31st dec 2015.

	Ksh '000'
Stocks as at 1 st Jan 2015 :Raw materials	7,000
Work in progress	5,000
Finished goods	6,900
Purchases of raw materials	38,000
Direct labour	28,000
Factory overheads	25,000
Administrative rent & rates	19,000
Administrative lighting	6,000
Distribution expenses	2,000
Selling expenses-staff salaries	19,380
Sales	192,000
Plant & machinery at cost	30,000
Provision for depreciation(plant& machinery)	12,000
Motor vehicles for sales deliveries at cost	16,000
Provision for depreciation (motor vehicles)	4,000
Creditors	5,500
Debtors	28,000
Drawings	11,500
Balances at bank	16,600
Capital as at 1 st Jan 2002	48,000
Provision for unrealized profit 1 st Jan 2015	1,380
Motor vehicle running expenses	4,500

Additional information

- Stock as at 31st Dec 2015 were as follows

Raw materials	9000
Work in progress	8000
Finished goods	10,350
 - The factory output is transferred to the trading account at factory plus 25% factory profit.
 - Depreciation is provided at the rates shown below on straight line method

Plant & machinery – 10 -% p.a
Motor vehicle - 25% p.a
 - Amounts accrued as at 31st Dec 2015 for direct labour amount to ksh 3,000,000 and rent & rates prepaid amounted to ksh 2,000,000.
- Required
- Manufacturing, trading profit and loss account for the year ended 31st Dec 2015. [12marks]
 - Balance sheet as at same date. [8marks]
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4. (a) Explain the content of a partnership deed. [5marks]
- (b) Explain the classification of cash flow in a cash flow statement giving relevant examples. [6marks]
- (c) Explain the different issues in accounting that differentiate accounting for non-profit making organizations from profit making organizations. [6marks]
- (d) Explain how a receipt and payment account is different from an income and expenditure account. [3marks]
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