

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
IGEMBE CAMPUS**

EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT

DIAC 0112: PRINCIPLES OF ACCOUNTING II

STREAMS:

TIME: 2 HOURS

DAY/DATE:

INSTRUCTIONS:

- **Answer question one and any other two**

1. Moses is a sole trader in a business known as a mose traders. He keeps his petty cash on imprest system amount being 20,000. The following are the petty cash transactions for the month of march 2015.

1 st petty cash in hand	20,000
2 nd paid wages	1989
3 rd cost of Email	1358
13 th paid wages	2920
15 th bought foolscap	1545
19 th paid wages	2970
21 st bought stamps	1210
24 th paid wages	2998
26 th bought pens	1176
27 th bought envelopes	970

Required

- (a) Write a petty cashbook to record above transaction with column for wages, postage and stationery on imprest system. [10marks]
- (b) Explain the contents of a partnership deed. [6marks]
- (c) The following is a cashbook extract of Kamau enterprises for the month of April 2016.

Receipts	2,938,000	Bal c/f	1,522,000
Bal c/d	<u>1,108,000</u>	Payments	<u>2,524,000</u>
	<u>4,046,000</u>		<u>4,046,000</u>

Additional information

- (i) Bank charges and commissions amounting to ksh 272,000 entered in the bank statement had not entered in the cashbook.
- (ii) Cheques amounting to ksh 534,000 drawn had not been presented to the bank for payment.
- (iii) Cheques received totalling ksh 1,524,000 had been entered in the cashbook and paid into the bank, but not credited by the bank until may 2016.
- (iv) A cheque of ksh 4,400 had been entered as a receipt in the cash book instead of payment.
- (v) A cheque for ksh 50,000 had been debited by the bank by mistake
- (vi) A cheque received for ksh 160,000 had been returned unpaid dishonoured by the bank.
- (vii) Dividends of ksh 124,000 had been credited by the bank and no entries had been made in the cashbook.
- (viii) A cheque drawn for ksh 12,000 had been credited by the bank and no entries had been made in the cashbook.
- (ix) The balance b/f should have been ksh 1,422,000
- (x) The bank statement as at 30th April 2016 showed an overdraft of ksh 2,324,000.

Required :

- (a) The adjusted cashbook as at 30th April 2016. [8marks]
- (b) Bank reconciliation statement as at 30th April 2016. [6marks]

2. (a) Explain classification of cash flows in a cash flow statement giving relevant examples.

[9marks]

- (b) Explain the different accounting issues that differentiate accounting for non profit making organisations from profit making organisations.

[8marks]

- (c) Explain how a receipt and payment account is different from income and expenditure account.

[3marks]

3. (a) James and Mark in a partnership sharing profits and losses in ratio 3:2. The following is their trial balance as at Sept 2015

	Dr	Cr
Building (cost 210,00)	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 as at 30 th sept 2014	62,470	
Sales		363,111
Purchases	210,000	
Carriage outwards	3,410	
Discount allowed	620	
Loan interest	3,900	
Office expenses	4,760	
Salaries & wages	57,809	
Bad debts	1,632	
Allowance for bad debts		1,400
Loan KCB		65,000
Capital : James		100,000
Mark		75,000
Current accounts : James		4,100
Mark		1,200
Drawing : James	31,800	

Mark	<u>28,200</u>	<u> </u>
	<u>640,601</u>	<u>640,601</u>

Additional information

- (i) Inventory 30th Sept 2015 ksh 74,210
- (ii) Expenses accrued: office expense 215
- (iii) Prepaid expense: wages ksh 720
- (iv) Depreciate fixtures at 15% on reducing balance basis and buildings at 5% on straight line methods.
- (v) Reduce provision for doubtful debts to ksh 1250
- (vi) Partnership salary of ksh 30,000 is payable to James
- (vii) Interest on drawings James ksh 900 Mark ksh 600
- (viii) Interest on capital account balances at 5% is paid to partners.

Required:

- (a) Trading profit and loss and appropriation account. [10marks]
- (b) Partner's current account. [4marks]
- (c) Statement of financial position as at 30th sept 2015. [6marks]

4. (a) The following balances have been extracted from the books of Limau ltd as at 31st Dec

15 stock of 1 st Jan 2015: Raw material	7,000
Working 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
Distributor expense	2,000
Selling & staff salaries	19,380
Sales	192,000
Plant & machinery at cost	30,000

Accumulated depreciation(plant & machinery)	12,000
Motor vehicles 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 1 st Jan 2002	48,000
Motor vehicle running exp	4,500

Additional information

1. Stock as at 31st Dec 15, raw materials 9,000, wip 8,000, finished goods 10,350
2. Depreciation: plant & machinery 10%, motor vehicles 25%.
3. Accrued direct labour 3000 and rent & rates prepaid 2,000

Required:

- (a) Manufacturing, trading profit and loss account for the year ended 31st Dec 15. [15 marks]
- (b) Define ;
- (c) (i) Direct materials [2marks]
 (ii) Direct labour [2marks]
 (iii) Prime cost [1mark]