

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS
RESIT/SPECIAL EXAMINATIONS
**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
PROCUREMENT AND LOGISTICS MANAGEMENT**
BPLM 271: INTERMEDIATE ACCOUNTING
STREAMS: Y2S1
TIME: 2 HOURS
DAY/DATE: WEDNESDAY 12/09/2018
11.30 A.M – 1.30 P.M

INSTRUCTION:
Answer question one and any other two questions
Question One:

- a) Define what 'incomplete records' are and explain three reasons why a business entity would maintain incomplete records. (4 marks)
- b) Mountain Golf Club has presented the following information relating to subscriptions from members as at 30th June 2016.

	01 July 2015	30 June 2016
	Sh.	Sh.
Subscriptions due	24,000	32,000
Subscriptions received in advance	12,800	20,000

Additional information:

The receipt and payment account recorded subscriptions from members of Sh. 5 million for the year to 30 June 2016.

Required:

A subscription account for year ended 30 June 2016 (6 marks)

c) Briefly explain how a company can utilize its share premium reserve (4 marks)

- d) The following balances were extracted from the books of Bright Limited for the year ending 31st March 2016.

	Sh
Sales (Note 1)	400,000
Purchases	290,000
Average Stock (Note 2)	30,000
Debtors	80,000
Bank	20,000
Creditors	50,000

Additional information;

1. 80% of the sales is on credit terms
2. The closing stock at the end of the year was Sh. 25,000

Required:

- i) Mark-up ratio (4 marks)
 - ii) Rate of stock turn-over (2 marks)
 - iii) Debtors collection period (2 marks)
 - iv) Acid-test ratio (2 marks)
- e) Explain how the following items should be accounted for by not-for-profit organisations:
- i) Donations and bequests (2 marks)
 - ii) Honorarium (2 marks)
- f) Distinguish between prime costs and indirect costs in the context of manufacturing accounts. (2 marks)

Question Two:

- a) Briefly explain the major classification of activities reported in the statement of cash flows. (6 marks)
- b) The following is the income statement and statement of financial position of Excel limited for the year ended 31st December 2015.

Income statement for the period ended 31st December 2015

	Sh'000'
Revenue	42,000
Cost of sales	<u>(28,000)</u>
Gross profit	14,000

Operating expenses	
Selling and administration cost	<u>(8,800)</u>
Profit before taxes	5,200
Income tax expense	<u>(1,560)</u>
Net profit	<u><u>3,640</u></u>

Statement of financial position

	2015	2014
	Sh.'000	Sh.'000'
Assets		
Property, plant and equipment	19,200	16,000
Less accumulated depreciation	(8,100)	(6,400)
Inventory	3,200	2,400
Accounts Receivables	4,540	4,800
Cash and Bank	<u>6,000</u>	<u>4,400</u>
	<u><u>24,840</u></u>	<u><u>21,200</u></u>
Equity and Liabilities		
Ordinary Share Capital	9,260	8,000
Retained earnings	7,840	4,200
10% Debentures	-	2,000
Other payables	1,900	1,000
Accounts payables	2,900	2,600
Income tax payable	<u>2,940</u>	<u>3,400</u>
	<u><u>24,840</u></u>	<u><u>21,200</u></u>

Additional information;

Depreciation is treated as a selling and administration cost.

Required:

Statement of cash flow for the year ended 31st December 2015.

(14 marks)

Question Three

Xavier, Yvonne and Zablon are partners operating a business under the name XYZ traders. The trial balance for the partnership as at 31st January 2016 was as follows:

	Sh.'000'	Sh.'000'
Capital Accounts		
Xavier		3,000
Yvonne		1,500
Zablon		2,500
Current Accounts		
Xavier		90
Yvonne	40	
Zablon	20	
Gross profit		3,086
Trade Receivables and payables	3,740	1,560
Insurance	224	

Staff salaries	960	
Bank Balance	1,330	
Advertising	430	
Inventory	850	
Furniture and fittings (cost)	1,200	
Motor vehicle (cost)	2,300	
Provision for depreciation		
Furniture and fittings		200
Motor vehicle		460
Drawings		
Xavier	153	
Yvonne	206	
Zablon	179	
Discount allowed and received	80	96
Rent and rates	360	
Cash in hand	420	
	<u>12,492</u>	<u>12,492</u>

Additional information:

- The advertising expense prepaid as at 31st January 2016 amounted to Sh.270,000.
- Staff salaries outstanding as at 31st January 2016 were Sh.50,000.
- The partnership agreement provided the following:
 - Interest on capital balances is allowed at 8% per annum
 - Xavier, Yvonne and Zablon are entitled to salaries of Sh.180,000, Sh.140,000 and Sh.160,000 respectively
 - No interest is charged on drawings.
 - Profit and losses are shared equally among the partners.
- Depreciation is provided for motor vehicle at 10% on straight line basis while depreciation on furniture and fittings at 20% on reducing balance basis.

Required:

- Income statement for the year ended 31st January 2016. (8 marks)
- Partners' current accounts as at 31st January 2016 (4 marks)
- Statement of financial position as at 31st January 2016 (6 marks)

Question Four

- Briefly explain 4 distinctions between 'Receipts and Payment account' and 'income and expenditure account'. (4 marks)
- Briefly explain any four limitations of ratio analysis. (6 marks)
- The following trial balance was extracted from the books of Rema Ltd. as at 30 Jun 2016.

Sh"000	Sh"000"
--------	---------

	"	
Revenue		14,800
Cost of sales	10,200	
Distribution costs	1,080	
Administrative expense	1,460	
Land	10,500	
Building: Cost	8,000	
Acc. Depreciation (1 Jul 2015)		2,130
Plant and Equipment: Cost	12,800	
Acc. Depreciation (1 Jul 2015)		2,480
Ordinary shares Sh.40 each (1 Jul 2015)		10,000
Share premium		3,000
Revaluation reserve		3,000
Retained earnings		6,630
10% debentures		2,000
	<u>44,040</u>	<u>44,040</u>

Additional information:

- a) Depreciation is provided on buildings and plant & equipment at 2% on straight line and 20% on reducing balance basis respectively.
- b) The directors have recommended a final dividend of Sh.2 per share.
- c) The debenture interest for the year is to be accrued as at 30th June 2016.
- d) The estimated corporation tax for the year was estimated at Sh.1 million.

Required:

Statement of Income and statement of financial position for the year ended 30 June 2016.

(10

marks)
