

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS RESIT/SPECIAL EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE**

**BCOM 112/111: PRINCIPLES OF ACCOUNTING II**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 11/09/2018**

**8.30 A.M – 10.30 A.M**

**INSTRUCTION:**

**Answer all the questions ANSWER QUESTIONS one and any other two**

### QUESTION ONE

- a) Explain the meaning of the term imprest system and state two reasons for maintaining a petty cash book [4 marks]
- b) The following information is from the books of the petty cashier of ABC Limited in the month of August 2010.

August 1	Received for petty cash payments	Sh. 1,000
August 2	Paid for postage	Sh.80
August 5	Paid for stationery	Sh.50
August 8	Paid for advertisements	Sh.100
August 12	Paid for wages	Sh.40
August 16	Paid for transport	Sh.30
August 20	Paid for postage	Sh.44
August 25	Paid for transport	Sh.160
August 27	Paid for tea and snacks	Sh.100
August 28	Paid wages to cleaner	Sh.50
August 30	Paid for postage	Sh.40

Required:

Prepare a petty cash book on imprest system for ABC Ltd on the month of August 2010 [8 marks]

c) (i) State three sources of revenue for non-profit organizations [2 marks]

d) The following is an extract from the cash book (bank column only) of John Mutua, a sole trader, for the month ended 31 January 2017.

	Sh.		Sh.
Balance b/d	703,500	Payments	7,760,000
Receipts	7,536,500	Bal. c/d	480,000

Additional information:

The bank statement as at 31 January 2007 showed that the bank account was overdrawn by Sh.62,000.

Bank charges of Sh.17,500 had not been entered in the cash book.

A cheque drawn of Sh.23,500 had been entered in the cash book as a receipt.

A cheque for Sh.9000 had been returned unpaid by the bank but had not been written back in the cash book.

The opening balance of the cash book should have been brought down as Sh.735,000.

Cheques paid to suppliers for Sh.107,000, Sh.15,000 and Sh.185,000 had not yet been debited by the bank.

The last pay-in-slip for the month showing a deposit of Sh.771,000 had not yet been credited by the bank.

The bank had debited a cheque for Sh.36000 by mistake to John Mutua account.

Required:

(i) Updated Cash book as at 31 January 2007. [9 marks]

(ii) Bank reconciliation statement as at 31 January 2007. [7 marks]

## QUESTION TWO

Kamau and Njoroge are in a partnership sharing profits and losses in the ratio 3:2 respectively after crediting their accounts with interest on capital at 10% p.a and monthly salaries of sh.

15,000 and sh.20,000 respectively. Interest on drawing is charged at 5% p.a. their trial balance as at 31<sup>st</sup> December 2013 is as follows.

	Dr. Shs.	Cr. Shs.
Capital a/c		
Kamau		500,000
Njoroge		400,000
Current a/c		
Kamau		20,00
		0
Njoroge		10,00
		0
Drawings		
Kamau	225,000	
Njoroge	215,000	
Net profit		800,000
Fixed assets (cost)		
Land & buildings	500,000	
Plant & machinery	300,000	
Motor vehicle	200,000	
Creditors		100,000
Accumulated depreciation		
Land & building		100,000
Plant & machinery		50,00
		0
Motor vehicle		50,00
		0
Debtor	100,000	
Stock	200,000	
Cash	<u>200,000</u>	
<u>2,030,000</u>	<u>2,030,000</u>	

Required:

Profit and loss appropriation a/c

Current accounts

The balance sheet as at 31<sup>st</sup> Dec. 2013

[20  
marks]

### QUESTION THREE

a) The following is a summary of WARIDI corporation's transactions for the year 2005

	Shs.
Sales on credit	234,000
Collection from customers	260,000

Cash receipt of interest revenue	12,000	
Cash receipt of dividend revenue	9,000	
Cost of goods sold	150,000	
Payment to suppliers	135,000	
Salary expense and payments	56,000	
Depreciation expense due	18,000	
Other operating expenses due	17,000	
Interest expense and payments	16,000	
Income tax expense and payment	15,000	
Cash payments to acquire plant assets	317,000	
Proceeds from sale of plant assets	62,000	including
	sh.8,000	
Proceeds from issuance of common stock	101,000	
Payment of cash dividend	17,000	
Cash balance as at 1 <sup>st</sup> Jan. 2005	42,000	
Cash balance as at 31 <sup>st</sup> Dec. 2005	22,000	

Required:

Using a direct method, prepare a cash flow statement for WARIDI corporations Ltd for the year ended 31<sup>st</sup> Dec. 2005 [10 marks]

b) Discuss the differences between a balance sheet and a statement of affairs [10 marks]

#### QUESTION FOUR

a) Explain four reasons that creates differences between a cashbook and bank statement [5 marks]

b) Differentiate between a manufacturing account and a trading, profit and loss account [3 marks]

C The following balances have been extracted from the books of Limuru Manufacturers a small manufacturing enterprise as at 31 December 2002:

		Sh."00
Stock as at 1 January 2002:	Raw materials	7,00
		0
	Work in Progress	5,00
		0
	Finished goods	6,90
		0
Purchases of raw materials		38,0
		00
Direct labour		28,0
		00
Factory overheads: Variable		16,0

		00	
	Fixed		9,00
		0	
Administrative expenses:	Rent and Rates	00	19,0
		00	
	Lighting		6,0
		00	
	Stationery and Postage		2,0
		00	
	Staff salaries		19,3
		80	
Sales			192,0
		00	
Plant and Machinery:	At cost		30,0
		00	
	Provision for depreciation		12,0
		00	
Motor vehicles (for sales deliveries):	At cost		16,0
		00	
	Provision for depreciation		4,0
		00	
Creditors			5,5
		00	
Debtors			28,0
		00	
Drawings			11,5
		00	
Balance at Bank			16,6
		00	
Capital at 1 January 2002			48,0
		00	
	Provision for unrealized profit as at 1 <sup>st</sup> January 2002		1,380
	Motor vehicle running costs		4,500

Additional information:

1. Stock as at 31 December 2002 were as follows:

	Sh.'00
	0'
Raw materials	9,000
Work in Progress	8,000
Finished goods	10,350

2. The factory output is transferred to the trading account at factory cost plus 25% of factory profit.

3. Depreciation is provided at the rates shown below on the original cost of fixed assets held at the end of each financial year:

Plant and machinery -	10% per annum
Motor vehicles -	25% per annum

4. Amounts accrued at 31 December 2002 of direct labour amounted to Sh.3,000,000 and rent and rates prepaid at 31 December 2002 amounted to Sh.2,000,000.

Required:

- (i) Manufacturing trading and profit and loss account for the year ended 31 December 2002. [12 marks]
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