

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS: BCOM Y1S2

TIME: 2 HOURS

DAY/DATE: TUESDAY 07/08/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- Question one and any other two.

QUESTION ONE

The following is an extract of B spike Ltd Trail Balance as at 31st Dec 2015

	DR	CR
Stock of raw materials 1.1.2015	21,000	
Stock of finished goods 1.1.2015	38,900	
Work in progress 1.1.2015	13,500	
Wages Direct wages	180,000	
Indirect wages	145,000	
Direct expenses	7,000	
Carriage inwards (on raw materials)	3,500	
Purchase of Raw Materials	370,000	
Productive Machine (cost Sh 280,000)	230,000	
Accounting Machinery (Cost Sh 20, 000)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Sales representatives salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	

Bank charges	2,300	
Discount allowed	4,800	
Carriage outwards	5,900	
Sales		1,000,000
		0
Debtors and creditors	142,300	
		125,000
Bank	56,800	
Cash	1,500	
Drawings	20,000	
Capital as at 1.1.2015	—————	—
	1,421,300	<u>296,300</u>
	0	1,421,300
	=====	=====
	=	=

Additional information:

- (i) Stock as at 31 Dec 2015

Raw materials	24,000
Finished goods	40,000
WIP	15,000

- (ii) Lighting and rent and insurance are to be apportioned factory $\frac{5}{6}$ th administration $\frac{1}{6}$ th

- (iii) Depreciation on productive and accounting machinery is to be provided at 10% p.a. on cost.

- (iv) Recognize a factory profit of 1% on production cost.

Required:

- (i) Prepare a manufacturing Trading, Profit and Loss Account for the year ended 31st Dec 2015. (15 marks)
- (ii) Balance sheet as at the same data. (9 marks)
- (b) Explain the classification of cashflows in a cashflow statement. (6 marks)

QUESTION TWO

- (a) The bank statement of Watatu Wote traders showed a balance of Sh. 264,300 while the cashbook bank column showed a balance of Sh 247,500 as at 31st Oct 2014. On

re-checking the records the following information was extracted.

- (i) Cheques drawn by the trader amounting to Sh 114,400 had not yet been presented to the bank.
- (ii) Cheques and cash amounting to Sh. 155,600 banked on 30th Oct 2014 had not yet been credited by the bank.
- (iii) Standing orders of Sh 25,200 have been paid by the bank and not yet done in the cashbook.
- (iv) Bank charges of Sh. 12,500 appears in the bank statement and not in cashbook.
- (v) The credit side of the cashbook has undercast by Sh. 9,000.
- (vi) Instructions to transfer Sh. 150,000 from the savings account to current account has not been effected in the cashbook.
- (vii) A cheque of Sh. 18,500 banked on 28th Oct 2014 has been dishonored but the information was not received by the company.
- (viii) A cheque of Sh. 74,000 drawn by the trader has been posted as Sh. 47,000 in the cashbook.

Required:

- (i) Prepare an adjusted cashbook as on 31st Oct 2014. (7 marks)
- (ii) Prepare Bank Reconciliation statement. (4 marks)
- (b) Differentiate accounting for profit making organizations from accounting for NOT for profit making organizations. (6 marks)
- (c) Why is it important to prepare a petty cashbook? Discuss. (3 marks)

QUESTION THREE

Atieno, Babu and Chesire have been trading in partnership sharing profits/losses in the ration of 5:3:2 respectively. The following is the trail balance of the partnership as at 31 March 2017:

	Sh.	Sh.
Capital accounts –Atieno		700,000
-Babu		600,000
-Chesire		400,000
Current account –Atieno		350,000
-Babu		325,000
-Chesire		195,000
Drawings –Atieno	250,000	
-Babu	260,000	

-Cheshire	250,000	
Land and buildings at cost	2,000,000	
Furniture and fittings at cost	500,000	
Provision for depreciation of furniture and fittings		150,000
Motor vehicles	860,000	
Provision for depreciation on motor vehicles		480,000
Trade debtors and creditors	365,000	823,500
Purchases and sales	3,555,000	6,351,500
Stock 1 April 2000	465,000	
Salaries and wages	295,000	
Rates	137,000	
Telephone and postage	116,000	
Vehicles running expenses	396,000	
Insurance	162,000	
General expenses	72,000	
Bank charges and interest	124,000	
Bad debts	48,000	
Returns inwards	61,000	
Returns outwards		75,000
Cash in hand	24,000	
Cash in bank	<u>490,000</u>	
	<u>10,450,000</u>	<u>10,450,000</u>

Notes:

- (i) Depreciation on furniture and fittings and motor vehicles is at 10% and 20% on reducing balance respectively.
- (ii) The closing stocks were valued at Sh. 560,000.
- (iii) Accrued salaries and wages amounted to Sh. 24,000
- (iv) Prepaid Insurance amounted to Sh. 5,000
- (v) The partners are entitled to 5% interest on capital and are charged 10% interest on drawings.
- (vi) The salaries to partners are Atieno 50,000 and Babu 30,000 per annum.

Required:

- (a) Trading, profit and loss account for the year ended 31 March 2001. (10 marks)
- (b) Partners current accounts. (3 marks)

(c) Balance sheet as at 31 March 2001.

(7 marks)

QUESTION FOUR

The following is a receipts and payment amount prepared by Karibu sports club for the year ended 31 December 2011:

	Receipts Sh. "000"		Payments Sh. "000"
Balance (1 January 2011)		Bar purchases	670
Current account	800	Electricity and water	90
Deposit account	1,000	Sports equipment	600
Subscriptions for the year 2010	200	Bar attendant wages	100
Subscriptions for the year 2011	2,540	Bar glasses	50
Subscription for the 2012	460	Ground's man wages	400
Bar takings	900	Secretary's Honoraria	1,600
Dinner dance tickets	600	Coaching fees	500
Interest on deposit account	120	Ground maintenance and repairs	180
Sales of sports equipment	200	Travelling expenses	420
		Dinner dance expenses	300
		Balance (31 December 2011)	
		Current account	910
		Deposit account	1,000
	<u>6,820</u>		<u>6,820</u>

The balance of assets and liabilities of Karibu sports as at 31 December 2010 and 2011 were as follows:

	2010 Sh. "000"	2011 Sh. "000"
Club house at cost	3,000	3,000
Sports equipment at cost	800	?
Furniture and fittings at cost	600	600
Bar stock	200	250
Subscription in arrears	240	280
Subscriptions in advance	180	460
Electricity and water outstanding	30	40
Bar creditors	90	120
Accumulated depreciation		

Sports equipment	480	?
Furniture and fittings	180	?

Additional information:

1. It is the policy of the club to write-off subscription in-arrears after 12 months.
2. Sports equipment sold during the year had an initial cost of Sh. 400,000 and net book value of Sh. 160,000.
3. Provision for depreciation is to be made on the cost of assets in existence at the end of the financial year as follows:

Sports equipment at 20% per annum.
Furniture and fittings at 10% per annum

4. Bar takings worth Sh. 100,000 on 31 December 2011 were in the cash till. These bar takings were yet to be recorded.
5. Bar glasses are treated as revenue expenditure.

Required:

- (a) Bar trading and income statement for the year ended 31 December 2011. (5 marks)
 - (b) Income and expenditure accounts for the year ended 31 December 2011. (5 marks)
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