

**CHUKA****UNIVERSITY****UNIVERSITY EXAMINATIONS****EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE****BCOM 112: PRINCIPLES OF ACCOUNTING II****STREAMS: BCOM (ODEL)****TIME: 2 HOURS****DAY/DATE: TUESDAY 07/08/2018****2.30 P.M. – 4.30 P.M.****INSTRUCTIONS:**

- Answer questions ONE and any other TWO.

**QUESTION ONE**

- (a) Explain four reasons for formation of a partnership. (4 marks)
- (b) Citing examples explain the three parts of a cashflow statement. (6 marks)
- (c) Draw up a profit and loss appropriation account for the year ended 31 December 2007 and balance sheet extracts at the date, from the following:
- (i) Net profits Kshs. 30,350
  - (ii) Interest to be charged on capitals: W-Kshs. 2,000, P-Kshs. 1,500; H-Kshs. 900
  - (iii) Interest to be charged on drawings; W-Kshs.240; P-Kshs. 180; H-Kshs.130
  - (iv) Salaries to be credited: P Kshs 2,000; H- Kshs. 3,500.
  - (v) Profits to be shared: W-50%; P-30%; H-20%
  - (vi) Current accounts: balances b/f W-Kshs. 1,860; P-Kshs 946; H-Kshs 717
  - (vii) Capital accounts: balances b/f W-Kshs 40,000; P-Kshs 30,000; H-Kshs 18,000
  - (viii) Drawings: W-Kshs 9,200; P-Kshs 7,100; H-Kshs 6,900. (10 marks)
- (d) Mary is a sole trader who does not keep complete set of accounting records. She provides you with the following information for assistance.
- (i) Trade receivables as at 1<sup>st</sup> October 2016 -130,000
  - (ii) Trade payable as at 1<sup>st</sup> October 2016 -60,000
  - (iii) Cash received from customers -685,000
  - (iv) Cash paid to suppliers -30,000

(v)	Discount allowed	-1,800
(vi)	Discount received	-2,900
(vii)	Contra settlement between trade receivable/payable	-2,000
(viii)	Trade receivable as at 30 <sup>th</sup> September 2017	-180,000
(ix)	Trade payable as at 30 <sup>th</sup> September 2017	-80,000

Required: The sales and purchases figure to be reported for the year. (10 marks)

## QUESTION TWO

The following is the receipts and payments account of the Friendship Club for the year ended 31 December 2001:

	Kshs.		Kshs.
Balance at bank			
31 December 2000	102	Bar purchases	4,434
Entrance fees	42	Wages	416
Subscriptions: 2000	25	Rent	186
2001	305	Heating and lighting	128
2002	35	Postage and stationery	33
Bar sales	5,227	Insurance	18
Sales of investments	750	General expenses	46
		Payments on account	
			450
		Balance at bank,	
	-----	31 December 2001	<u>775</u>
	6,486		6,486
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The following information is also supplied:

- | (1)                               | 31 December 2000 | 31 December 2001 |
|-----------------------------------|------------------|------------------|
| Bar stock, at cost                | 272              | 315              |
| Creditors for bar purchases       | 306              | 358              |
| Rent due                          | 18               | 36               |
| Heating and lighting expenses due | 16               | 19               |
| Subscription due                  | 25               | 40               |
| Insurance paid in advance         | 5                | 7                |
- (2) On 31 December 2000, the club held investments which cost Kshs. 500. During the year ended 31 December 2001, these were sold for Kshs. 750
- (3) Furniture was valued at Kshs. 300 on 31 December 2000. On June 2001, the club purchased additional furniture at a cost of Kshs. 520. Depreciation of all furniture is to provided for the rate of 10% per annum.

**Required:**

- (a) Prepare an income and expenditure account for the year ended 31 December 2001. (12 marks)
- (b) Prepare a balance sheet at that date. (8 marks)

**QUESTION THREE**

- (a) Describe four types of stocks likely to be found in a manufacturing concern. (4 marks)
- (b) Adrian and Co. Ltd, a manufacturing company, produces the following balances from its books at 30<sup>th</sup> September 2017.

	Kshs
Stocks at 1 October 2016:	
Raw materials	7,450
Work-in-progress (factory cost)	5,330
Finished goods (transfer value)	12,110
Purchases of raw materials	128,740
Purchases of raw materials	310
Purchases returns	3,280
Direct expenses	1,215
Return inwards	1,055
Carriage inwards	5,250
Rates	3,270
Light, heat and power	187,340
Direct wages	14,320
Telephone	890
Factory repairs	2,215
Insurances	1,420
Factory salaries	38,000
Office salaries	24,000
Sales salaries	27,435
Plant & machinery (at cost)	160,000
Provision for depreciation of plant & machinery at 1 October 2016	64,000
Bad debts (written off)	325
Sales	721,560
Furniture & equipment (at cost)	
-Factory	42,000
-office	48,000
Provision for depreciation of furniture & equipment at 1 October 2016	
-Factory	8,400
-Office	9,600

Additional information:

- (1) Closing stocks at 30 September 2017 are as follows:

	Kshs.
Raw materials	6,325
Work-in-progress (factory cost)	6,105
Finished goods (transfer value)	15,225

- (2) Prepayments at 30 September 2017:

	Kshs.
Rates	450
Insurance	220

- (3) Accruals at 30 September 2017:

	Kshs.
Direct wages	1,220
Telephone	70
Light, heat and power	210

- (4) At 30 September 2017, depreciation is to be provided as follows:

	Per year on Cost
Plant and machinery	15%
Furniture and equipment	15%

- (5) Expenses are to be appointed to the factory as follows:

	Kshs
Rates	$\frac{3}{5}$
Insurances	$\frac{1}{2}$
Telephone	$\frac{2}{3}$
Light, heat and power	$\frac{1}{4}$

- (6) It is the policy of the company to transfer goods manufactured to the warehouse at factory cost plus 10%

Required:

Manufacturing and Trading Accounts of Adrian & Co Ltd for the year ended 30 September 2017.  
(16 marks)

#### QUESTION FOUR

The following is the trial balance of Transit Ltd at 31 March 2008.

	Kshs.	Kshs.
Issued share capital (ordinary shares of Kshs. 1 each)		42,000
Leasehold properties, at cost	75,000	
Motor vans, at cost (used for distribution)	2,500	
Provision for depreciation on motor vans to 31 March 2007		1,000
Administration expenses	7,650	
Distribution expenses	10,000	
Stock, 31 March 2007	12,000	
Purchases	138,750	
Sales		206,500
Directors' remuneration (administrative)	25,000	
Rents receivable		3,600
Investment at cost	6,750	
Investment income		340
7% Debentures		15,000
Debenture interest	1,050	
Bank interest	162	
Bank overdraft		730
Debtors and creditors	31,000	24,100
Interim dividend paid	1,260	
Profit and loss account, 31 March 2007		<u>17,852</u>
	<u>311,122</u>	<u>311,122</u>
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You ascertain the following:

- (i) Depreciation has been, and is to be, provided at the rate of 20% per annum on cost.
- (ii) The estimated corporation tax liability for the year to 31 March 2008 is Kshs. 12,700.
- (iii) It is proposed to pay a final dividend of 10% for the year to 31 March 2008.
- (iv) Stock at the lower of cost or net realizable value on 31 March 2008 is Kshs. 16,700.

Required:

- (i) Statement of comprehensive income. (8 marks)
- (ii) Statement of financial position. (8 marks)

(iii) Net profit margin and quick asset ratio.

(4 marks)

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