

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA, EMBU & THARAKA

EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE AND BACHELOR
OF ENTREPRENEURSHIP AND ENTERPRISE MANAGEMENT, BACHELOR
OF COOPERATIVE MANAGEMENT, BACHELOR OF CATERING AND
HOTEL MANAGEMENT

BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS: BCOM, BCOP, BEEM, BCHM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 11/4/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER TWO

QUESTION ONE

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	

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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:

1. The advertising expense prepaid as at 31st January 2016 amounted to Sh.270,000.
2. Staff salaries outstanding as at 31st January 2016 were Sh.50,000.
3. The partnership agreement provided the following:
 - i) Interest on capital balances is allowed at 8% per annum
 - ii) Xavier, Yvonne and Zablon are entitled to salaries of Sh.180,000, Sh.140,000 and Sh. 160,000 respectively
 - iii) No interest is charged on drawings.
 - iv) Profit and losses are shared equally among the partners.
4. 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:

- a) Income statement for the year ended 31st January 2016. [10 marks]
 - b) Partners' current accounts as at 31st January 2016 [6 marks]
 - c) Statement of financial position as at 31st January 2016 [8 marks]
- b) Explain the classifications of cashflow activities in the preparation of cashflow statements [6marks]

QUESTION TWO

The following balances were extracted from the books of Taba Ltd., a manufacturing and trading company, as at 31 October 2014:

	Dr	Cr
Purchase of raw materials	2,580,000	
Fuel and light	210,000	
Administration salaries	170,000	

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Factory wages	590,000	
Carriage outwards	40,000	
Rent and business rates	210,000	
Sales		4,820,000
Returns inward	70,000	
General office expenses	90,000	
Repairs to plant and machinery	90,000	
Stock at 1 November 2013:		
Raw materials	210,000	
Work in progress	140,000	
Finished goods	230,000	
Trade Payables		370,000
Capital account		4,570,000
Freehold Premises	4,100,000	
Plant and Machinery	800,000	
Accumulated provision for depreciation on plant and machinery		80,000
Trade Receivables	200,000	
Cash at Bank	110,000	
	<u>9,840,000</u>	<u>9,840,000</u>

The following additional information is provided:

i) Stock in hand at 31 October 2014:

Raw materials	Sh.250,000
Work in progress	Sh.110,000
Finished goods	Sh.260,000

- ii) Depreciation is provided at 10% on plant and machinery using the straight line method.
- iii) The amount outstanding for fuel and light was Sh.40,000 and 80% of fuel and light to the manufacturing.
- iv) Rent and business rates paid in advance amounted to Sh.50,000 and 75% of rent and rates relates to the manufacturing
- v) The provision for doubtful debts is to be made at 5% of Trade receivables.
- vi) The market value of finished goods was Sh.3,820,000

Required:

- a) Manufacturing, trading and statement of income for the year ended 31 October 2014. [12 marks]
- b) Statement of financial position as at 31 October 2014. [8 marks]

QUESTION THREE

- (a) The bank statement and cashbook balances should agree, but sometimes these balances may not agree:

Required:

Discuss this statement and explain why it is important to prepare a bank reconciliation statement. [8 marks]

- (b) On 31 October 2004, the cashbook of Mwea Enterprises Ltd. Showed a debit balance of Sh.1,710,000. This did not agree with the balance shown in the bank statement.

Upon investigation, the accountant discovered the following errors:

1. A cheque paid to Kindaruma for Sh.306,000 had been entered in the cashbook as Sh.387,000
2. Cash paid into the bank by a customer for Sh.90,000 had been entered in the cashbook as Sh.81,000
3. A transfer of Sh.1,110,000 to Central Savings Bank had not been posted to the cash book.
4. A receipt of Sh.9,000 shown in the bank statement had not been posted in the cashbook.
5. Cheques drawn amounting to Sh.36,000 had not been paid into the bank.
6. The cash book balance had been incorrectly brought down at 1 November 2003 as a debit balance of Sh.1,080,000 instead of a debit balance of Sh.990,000
7. Bank charges of Sh.18,000 do not appear in the cash book.
8. A receipt of Sh.810,000 paid into the bank on 31 October 2004 appeared in the bank statement on 1 November 2004.
9. A standing order of Sh.27,000 had not been recorded in the cash book.
10. A cheque for Sh.45,000 previously received and paid into the bank had been returned by the customer's bank marked "account closed".
11. The bank received a direct debit of Sh.90,000 from an anonymous customer.
12. Cheques banked had been totaled at Sh.135,000 instead of Sh.153,000.
13. A cheque drawn in favour of Nyaga for Sh.120,000 had been entered on the debit side of the cashbook.

Required;

- (i) Adjusted cash book as at 31 October 2004. [6 marks]
(ii) A bank reconciliation statement as at 31 October 2004. [6 marks]

QUESTION FOUR

- a. Explain the following terms:e
- Conversion cost [2marks]
 - Direct material cost [2marks]
 - Prime cost [2marks]
- b. Explain the advantages of using imprestsytetem to manage cash in an organization [4marks]

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- c. Explain how accounting for Non Profit Making Organization is different from that of Profit Making Organization [6marks]
 - d. Explain the content of a partnership deed [4marks]
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