

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA, EMBU & THARAKA

**EXAMINATIONS FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT
AND DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT**

DIAC 0112: PRINCIPLES OF ACCOUNTING II

STREAMS: DIAC

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 08/8/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE

The following list of balances as at 30 September 20X9 has been extracted from the books of brick and stone, trading in partnership, sharing the balance of profits and losses in the proportions 3:2 respectively

	Kshs
Printing, stationery and postages	3,500
Sales	322,100
Inventory in hand at 1 October 20x8	23,000
Purchases	208,200
Rent and rates	10,300
Heat and light	8,700
Staff salaries	36,100
Telephone charges	2,900
Motor vehicles running costs	5,620
Discounts allowed	950
Discounts receivable	370
Sales returns	2,100

DIAC 0112

Purchases returns	6,100
Carriage inwards	1,700
Carriage outwards	2,400
Fixtures and fittings: at cost	26,000
Provision for depreciation	11,200
Motor vehicles: at cost	46,000
Provision for depreciation	25,000
Provision for doubtful debts	300
Drawings: Brick	24,000
Stone	11,000
Current account balances at 1 October 20X8	
Brick	3,600
Stone	2,400
Capital account balances at 1 October 20X8	
Brick	33,000
Stone	17,000
Receivables	9,300
Payables	8,400
Balance at bank	7,700

Additional information:

1. Stone is to be credited with a salary at the rate of kshs 12,000 per annum
2. Inventory in hand at 30 September 20X9 has been valued at cost at kshs. 32,000
3. Telephone charges accrued due at 30 September 20X9 amounted to kshs. 400 and rent of ksh. 600 prepaid at that date
4. Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%
5. Decrease the provision for doubtful debts to sh 200

Required:

- (a) Prepare a trading and profit and loss account for the year ended 30 September 20X9

[14 marks]

DIAC 0112

Stock at 1 May 2007:

Raw materials	350,000	
Work in progress	1,800,000	
Finished goods (3500 unit) at factory cost	3,500,000	
Raw materials purchased	3,950,000	
Sales (1,200 units)		18,000,000
Manufacturing wages	3,000,000	
Factory rent and rates	1,400,000	
Factory light heat & power	655,000	
Plant at cost	6,000,000	
Plant depreciation at 1 st May 2007		2,800,000
Works manager's salary	245,000	
Plant repairs	400,000	
Administrative overheads	1,800,000	
Factory buildings	4,000,000	
Depreciation on factory building at 1 May 2007		1,200,000
Capital		7,500,000
Debtors	3,050,000	
Bank balance	1,600,000	
Creditors		2,450,000
Carriage inwards	<u>200,000</u>	<u> </u>
	<u>31,950,000</u>	<u>31,950,000</u>

The following additional information is available:

1. Plant depreciation is to be provided at 10% on the cost
2. Raw materials costing sh. 500,000 were in stock on 30 April 2008
3. Finished goods are transferred to the warehouse as soon as they are completed.

During the year, 10,000 units were completed and transferred to the warehouse. Work in progress at the end of the financial year amounted to kshs. 2,300,000

Required: Manufacturing trading profit and loss account for the year ended 30 April

2008

[12 marks]

- (b) Explain the following terms giving relevant examples

DIAC 0112

- (i) Conversion costs [2 marks]
- (ii) Operating cash flows [2 marks]
- (iii) Financing cash flows [2 marks]
- (iv) Accumulated fund [2 marks]

QUESTION FOUR

- (a) Briefly explain why it is important for a business entity to prepare a bank reconciliation statement [3 marks]
- (b) You have recently been employed in a medium size company and deployed in the accounts department. Your head of section has given you the following extract from the cash book for the month of April 2003:

	Sh.		Sh.
Receipts during the month	2,938,000	Balance brought forward (1.4.2003)	1,522,000
Balance carried forward (30.4/2003)	<u>1,108,000</u>	Payments during the month	<u>2,524,000</u>
	<u>4,046,000</u>		<u>4,046,000</u>

The head of section further informs you that all receipts are banked intact and all payments are made by cheque. On investigation, you discover the following:

1. Bank charges and commissions amounting to sh. 272,000 entered on the bank statement had not been entered in the cashbook
2. Cheques drawn amounting to sh. 534,000 had not been presented to the bank for payment
3. Cheques received totaling sh. 1,524,000 had been entered in the cash book and paid into the bank, but had not been credited by the bank until May 2003
4. A cheque for sh. 44,000 had been entered as a receipt in the cashbook instead of a payment.
5. A cheque for sh. 50,000 had been debited by the bank mistake
6. A cheque received for sh. 160,000 had been returned unpaid. No adjustment had been made in the cashbook

DIAC 0112

7. All dividends receivable are credited direct to the bank account. During the month of April 2003, dividends totaling sh. 124,000 were credited by the bank and no entries has been made in the cashbook
8. A cheque drawn for sh. 12,000 had been incorrectly entered in the cash book as sh 132,000
9. The balance brought forward should have been sh 1,422,000
10. The bank statement as at 30 April 2003 showed on overdraft of sh 2,324,000

Required:

- (i) The adjusted cashbook as at 30 April 2003 [6 marks]
 - (ii) Bank reconciliation statement as at 30 April 2003 [6 marks]
 - (c) Explain the importance of preparing cash flow statements [5 marks]
-