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CHUK



UNIVERSITY

**UNIVERSITY EXAMINATIONS
RESIT/SPECIAL EXAMINATIONS**

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

DIAC 0112: PRINCIPLES OF ACCOUNTING II

STREAMS:

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 12/09/2018

11.30 A.M – 1.30 P.M

INSTRUCTIONS:

Answer question one and any other two

1. Moses is a sole trader in a business known as a mose traders. He keeps his petty cash on imprest system amount being 20,000. The following are the petty cash transactions for the month of march 2015.

| | |
|------------------------------------|--------|
| 1 st petty cash in hand | 20,000 |
| 2 nd paid wages | 1989 |
| 3 rd cost of Email | 1358 |
| 13 th paid wages | 2920 |
| 15 th bought foolscap | 1545 |
| 19 th paid wages | 2970 |
| 21 st bought stamps | 1210 |

| | |
|-----------------------------------|-----|
| 24 th paid wages | 29 |
| | 98 |
| 26 th bought pens | 11 |
| | 76 |
| 27 th bought envelopes | 970 |

Required

(a) Write a petty cashbook to record above transaction with column for wages, postage and stationery on imprest system. [10marks]

(b) Explain the contents of a partnership deed. [6marks]

(c) The following is a cashbook extract of Ekampus for the month of April 2016

| | | | |
|----------|-----------|----------|-----------|
| Receipts | 2,938,000 | Bal c/f | 1,522,000 |
| Bal c/ d | 1,108,000 | Payments | 2,524,000 |
| | 4,046,000 | | 4,046,000 |

Additional information

- (i) Bank charges and commissions amounting to ksh 272,000 entered in the bank statement had not entered in the cashbook.
- (ii) Cheques amounting to ksh 534,000 drawn had not been presented to the bank for payment.
- (iii) Cheques received totalling ksh 1,524,000 had been entered in the cashbook and paid into the bank, but not credited by the bank until may 2016.
- (iv) A cheque of ksh 4,400 had been entered as a receipt in the cash book instead of payment.
- (v) A cheque for ksh 50,000 had been debited by the bank by mistake
- (vi) A cheque received for ksh 160,000 had been returned unpaid dishonoured by the bank.
- (vii) Dividends of ksh 124,000 had been credited by the bank and no entries had been made in the cashbook.
- (viii) A cheque drawn for ksh 12,000 had been credited by the bank and no entries had been made in the cashbook.
- (ix) The balance b/f should have been ksh 1,422,000
- (x) The bank statement as at 30th April 2016 showed an overdraft of ksh 2,324,000.

Required :

- (a) The adjusted cashbook as at 30th April 2016. [8marks]
 (b) Bank reconciliation statement as at 30th April 2016. [6marks]

2. (a) Explain classification of cash flows in a cash flow statement giving relevant examples. [6marks]

(b) Explain the contents of a partnership agreement . [8marks]

(c) Explain the reasons for differences between the cashbook balance and the bank statement balance that necessitate bank reconciliation[6marks]

3. (a) James and Mark in a partnership sharing profits and losses in ratio 3:2. The following is their trial balance as at Sept 2015

| | Dr | Cr |
|--|---------|---------|
| Building (cost 210,00) | 160,000 | |
| Fixtures at cost | 8,200 | |
| Provision for depreciation: fixtures | | 4,200 |
| Accounts receivables | 61,400 | |
| Accounts payable | | 26,590 |
| Cash at bank | 6130 | |
| Inventory as at 30 th sept 2014 | 62,470 | |
| Sales | | 363,111 |
| Purchases | 210,000 | |
| Carriage outwards | 3,410 | |
| Discount allowed | 620 | |
| Loan interest | 3,900 | |
| Office expenses | 4,760 | |
| Salaries & wages | 57,809 | |
| Bad debts | 1,632 | |
| Allowance for bad debts | | 1,400 |

| | | |
|--------------------------|---------------|----------------|
| Loan KCB | | 65,00 |
| | | 0 |
| Capital : James | | 100,00 |
| | | 0 |
| Mark | | 75,00 |
| | | 0 |
| Current accounts : James | | 4,100 |
| | | 1,200 |
| Mark | | |
| Drawing : James | 31,800 | |
| Mark | <u>28,200</u> | |
| | | <u>640,601</u> |
| | | <u>640,601</u> |

Additional information

- (i) Inventory 30th Sept 2015 ksh 74,210
- (ii) Expenses accrued: office expense 215
- (iii) Prepaid expense: wages ksh 720
- (iv) Depreciate fixtures at 15% on reducing balance basis and buildings at 5% on straight line methods.
- (v) Reduce provision for doubtful debts to ksh 1250
- (vi) Partnership salary of ksh 30,000 is payable to James
- (vii) Interest on drawings James ksh 900 Mark ksh 600
- (viii) Interest on capital account balances at 5% is paid to partners.

Required:

- (a) Trading profit and loss and appropriation account. [10marks]
- (b) Partner's current account. [4marks]
- (c) Statement of financial position as at 30th sept 2015. [6marks]

4. (a) The following balances have been extracted from the books of Limau ltd as at 31st Dec

| | |
|--|-------|
| 15 stock of 1 st Jan 2015: Raw material | 7,000 |
| Working progress | 5,000 |
| Finished goods | 6,900 |
| Purchases of raw materials | 38,0 |

| | |
|---|-------|
| | 00 |
| Direct labour | 28,0 |
| | 00 |
| Factory overheads | 25,0 |
| | 00 |
| Administrative rent & rates | 19,0 |
| | 00 |
| Administrative lighting | 6,000 |
| Distributor expense | 2,000 |
| Selling & staff salaries | 19,3 |
| | 80 |
| Sales | 192,0 |
| | 00 |
| Plant & machinery at cost | 30,0 |
| | 00 |
| Accumulated depreciation(plant & machinery) | 12,0 |
| | 00 |
| Motor vehicles at cost | 16,0 |
| | 00 |
| Provision for depreciation (motor vehicles) | 4,0 |
| | 00 |
| Creditors | 5,5 |
| | 00 |
| Debtors | 28,0 |
| | 00 |
| Drawings | 11,5 |
| | 00 |
| Balances at Bank | 16,6 |
| | 00 |
| Capital 1 st Jan 2002 | 48,0 |
| | 00 |
| Motor vehicle running exp | 4,5 |
| | 00 |

Additional information

1. Stock as at 31st Dec 15, raw materials 9,000, wip 8,000, finished goods 10,350
2. Depreciation: plant & machinery 10%, motor vehicles 25%.
3. Accrued direct labour 3000 and rent & rates prepaid 2,000 **Required:**

(a) Manufacturing, trading profit and loss account for the year ended 31st Dec 15. [15 marks]

(b) Define ;

(c) (i) Direct materials [2marks]

(ii) Direct labour [2marks]

(iii) Prime cost [1mark]
