

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS**

**RESIT/SPECIAL EXAMINATION**

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

**DIAC 0112: PRINCIPLES OF ACCOUNTING II**

**STREAMS: DPLM & DIBM**

**TIME: 2 HOURS**

**DAY/DATE: MONDAY 17/09/2018**

**11.30 A.M. – 1.30 P.M.**

**INSTRUCTIONS:**

- Answer question ONE and any other two questions
- Do not write on the question paper

**QUESTION ONE**

- a) Explain three reasons for the differences between a cashbook and bank statement balances (6 marks)
- b) Distinguish between the following terms as applied in accounting:
- (i) Fixed cost and variable cost (2 marks)
  - (ii) Direct cost and indirect cost (2 marks)
  - (iii) Cost of goods sold and cost of goods manufactured. (2 marks)
- c) Kifaru traders, a sole proprietor business based in Bahari town keeps its petty cash on an imprest system. The following are the petty cash transactions for the month of April 2018.

April 1: Received for petty cash payments a float of Sh. 2,000

April 2: Paid for postage Sh.160

April 5: Paid for stationery Sh.100

April 8: Paid for advertisements Sh.200

April 12: Paid for wages Sh.80

April 16: Paid for transport Sh. 150

April 20: Paid for postage Sh. 40

April: Paid for transport Sh. 60

April 27: Paid for tea and snacks Sh.100

April 28: Paid wages to cleaner Sh.50

April 30: Paid for postage Sh.40

**Required:**

Prepare a petty cash book on imprest system for Kifaru traders for the month of April 2018 having analysis columns for postage, wages and office expenses (10 marks)

- d) Highlight four key differences between accounting for non-profit making organizations (NPOs) to that of profit making organizations (8 marks)

**QUESTION TWO**

- a) The bank statement of Maji Mengi traders showed a balance of 264,300 while bank column of cash book showed a balance of sh. 247,500 as at 31st October 2017. On re-checking the records the following information was extracted from the trader's books.

- 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 October 2017 had not been credited by the bank.
- iii. Standing orders of sh. 25,000 have been paid by the bank and not yet captured in the cash book.
- iv. Bank charges of sh. 12,500 appears in bank statement only
- v. The credit side of the cash book has been undercast by sh. 9,000
- vi. An instruction to transfer sh. 150,000 from the savings account to current account has not been effected in the cash book.
- vii. A cheque of sh. 18,500 banked on 28th October 2017 has been dishonored but the information was not received by the company until 4th November 2017.
- viii. A cheque of sh. 74,000 drawn by the trader has been posted as sh. 47,000 in the cash book.

**Required:**

- (i) Adjusted cash book as at 31st October 2017 (6 marks)  
 (ii) Bank reconciliation statement as at 31st October 2017 (4 marks)

- b) The following is a summary of PARETO corporation Ltd's transactions for the year ended 31<sup>st</sup> December 2015

	Sh.
Sales on credit	234,000
Collection from customers	260,000
Cash receipt of interest revenue	12,000
Cash receipt of dividend revenue	9,000
Cost of goods sold	150,000
Payment to suppliers	135,000
Salary expense and payments	56,000
Depreciation expense due	18,000
Other operating expenses due	17,000
Interest expense and payments	16,000
Income tax expense and payment	15,000
Cash payments to acquire plant assets	317,000
Proceeds from sale of plant assets	62,000 including sh.8,000 commission
Proceeds from issuance of common stock	101,000
Payment of cash dividend	17,000
Cash balance as at 1st Jan. 2005	42,000

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Cash balance as at 31st Dec. 2005 22,000

**Required:**

Prepare a cash flow statement for PARETO corporation Ltd for the year ended 31st Dec. 2015 (10 marks)

**QUESTION THREE**

The following balances were extracted from the books of Mvua and Radi partnership as 31<sup>st</sup> December 2017.

	Dr. Shs.	Cr. Shs.
Capital a/c		
Mvua		500,000
Radi		400,000
Current a/c		
Mvua		20,000
Radi		10,000
Drawings		
Mvua	225,000	
Radi	215,000	
Net profit		800,000
Fixed assets (cost)		
Land & buildings	500,000	
Plant & machinery	300,000	
Motor vehicle	200,000	
Creditors		100,000
Accumulated depreciation		
Land & building		100,000
Plant & machinery		50,000
Motor vehicle		50,000
Debtor	100,000	
Stock	200,000	
Cash	290,000	
	<u><b>2,030,000</b></u>	<u><b>2,030,000</b></u>

Additional information

- i. Mvua and Radi were entitled to **monthly salaries** of of sh. 15,000 and 20,000 respectively
- ii. Interest on capital was 10% per annum
- iii. Interest on drawing is charged at 5% per annum
- iv. The partnership profit and loss sharing ratio was 3:2 for Mvua and Radi respectively

**Required:**

The partnership appropriation account for the year ended 31<sup>st</sup> December 2017 (8 marks)  
Partners current accounts for the year ended 31<sup>st</sup> December 2017 (6 marks)  
Statement of financial position (balance sheet) as at 31<sup>st</sup> December 2017 (6 marks)

**QUESTION FOUR**

- a) The following balances were extracted from the books of Kijibaridi Manufacturers ltd as at 31st December, 2016

<b>Stock on 1.1.2016</b>	Ksh
Raw materials	14,330
Work-in-progress	1,570
Finished goods	22,650
<b>Stocks on 31.12.2016</b>	

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Raw materials	17,340
Work-in-progress	2,110
Finished goods	26,290
<b>Other expenses</b>	
Purchase of raw materials	234,560
Carriage of raw materials	9,870
Direct wages	76,600
Salaries-Factory	24,000
Office	41,900
Salesmen	16,500
Light and Heat: Factory	38,450
Office	2,540
Advertisements	6,500
Carriage outwards	11,220
Sale of finished goods	550,000

**Required:**

Prepare the Kijibaridi ltd manufacturing Trading Profit and Loss Account for the year ended 31<sup>st</sup> December 2016 (10 Marks)

- b) A partnership deed defines the relationship between the partnership business and its partners. Briefly discuss the salient features of a partnership deed (6 marks)
- c) In reference to manufacturing accounts, explain the following terms:
- (i) Prime costs (2 Marks)
  - (ii) Work in progress (2 Marks)
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