

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS  
MANAGEMENT

DIAC 0112: PRINCIPLES OF ACCOUNTING II

STREAMS: DIBM DPLM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 11/4/2018

2.30 P.M. – 4.30 P.M.

**INSTRUCTION: Answer question ONE and any other TWO questions**

QUESTION ONE (COMPULSORY) – 30 MARKS

- (a) Give 5 reasons why a firm needs bank reconciliation. [5 marks]
- (b) Explain importance of a petty cash management to a firm. [5 marks]
- (c) The following trial balance was extracted from the books of Nithimanufacturers ltd on 31<sup>st</sup> December, 2011.

	Dr. Shs '000'	Cr. Shs '000'
Stock (1/1/2-11):		
• Raw materials	459	
• Work in progress	578	
• Finished goods	517	
Plant & machinery	1500	
Office furniture's equipment	470	
Sales of finished goods		7735
Purchase of raw materials	1870	
Factory wages	1275	
Supervisory salaries	170	
Factory insurance	61	
Factory electricity & power	51	
Plant repairs & maintenance	136	
Advertising	33	
Factory rates	58	
Office salaries & wages	680	
Office electricity & water	142	
Telephone, faces & emails	29	
Postage & stationery	29	

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Debtors	444	
Creditors		323
Cash & bank balances	181	
Capital		663
Bank charges & interest	22	
Bad debt written off	<u>16</u>	
	<u>8721</u>	<u>8721</u>

Additional information was as follows:

- (i) Stock as at 31/12/2011
- Raw material – shs. 510 000
  - Work in progress – shs. 680 000
  - Finished goods – shs. 425 000
- (ii) Depreciation is to be charged as follows:
- Plant & machinery – 25%
  - Furniture & equipment – 12.5%

### Required:

- (i) The manufacturing trading profit & loss account for the year ended 31/12/2011 [12 marks]
- (ii) A balance sheet as at 31/12/2011 [8 marks]

## QUESTION TWO (20 MARKS)

- (a) Discuss briefly any 6 importances of cashflow statement to a business. [6 marks]
- (b) Njuki is a sole trader and he keeps his petty cash on an imprest system amount being shs. 20,000. The following are the petty cash transactions for the month of March 2006.

March 2006	shs
1 Petty cash in hand	2575
2 Petty cash restored to imprest system amount	???
5 Paid wages	989
9 Cost of e-mail	1358
13 Paid wages	2920
15 Bought foolscap papers	1545
19 Paid wages	2970
21 Bought postage stamps	1210
24 Paid wages	2998
26 Paid to Karen, a creditor	1176
30 Bought envelopes	970
31 Petty cash reimbursed	???

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**Required:**

Draw up a petty cash book to record the above transactions, showing the entries restoring the petty cash imprest system having columns of: wages, postage, stationery and others.

[14 marks]

**QUESTION THREE (20 MARKS)**

- (a) From the following transactions relating to Kivwe football club for the period ending 31<sup>st</sup> December, 2004, prepare the clubs receipts and payments account. [5 marks]

Income received during the year	shs
Subscriptions	431,250
Donations	78,750
Gate collections	275, 000

Payments made during the year	Shs.
Wages	102,500
Travelling	80,000
Printing, stationery & postage	18,750
Match expenses	162,500
Purchase of sports equipment	112,500
Rent	42,500
General expenses	36,250
Electricity & telephone	18,750

- (b) Pat and Sam are in partnership sharing profits in the ratio 3:2. The following is their trial balance as at 30<sup>th</sup> September 2002.

	Dr.	Cr.
	Sh	Sh
Buildings (cost sh 20000)	160000	
Fixtures at cost	8200	
Provision of depreciation:		
Fixtures		4,200
Accounts receivables	61,400	
Accounts payable		26,590
Cash at bank	6,130	
Inventory (30/09/2001)	62,740	
Sales		363,111

Dr.	Cr.
Sh	Sh

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Purchases	210,000	
Carriage outwards	3410	
Discount allowed	620	
Loan interest: P Prince	3900	
Office expenses	4760	
Salaries & wages	57809	
Bad debts	1632	
Allowance for doubtful debts		1400
Loan from P Prince		65000
Capital: Pat		100000
Sam		75000
Current accounts: Pat		4100
Sam		1200
Drawings: Pat	31,800	
Sam	<u>28,200</u>	
	<u>640,601</u>	<u>640,601</u>

### Additional information:

- (i) Inventory as at 30/9/2002 was sh. 74210
- (ii) Expenses to be accrued; office expenses sh 215  
Wages sh 720
- (iii) Depreciation on fixtures was 15% on reducing balance basis and on buildings was sh. 5000
- (iv) Reduce provision for doubtful debts to sh. 1250
- (v) Partnership salary: Pat sh. 20000 was not yet entered
- (vi) Interest on drawings: Pat – sh. 900  
Sam – sh. 600
- (vii) Interest on capital account balances at 5%.

### Required:

- (i) Prepare an income and appropriation statement for the year ended 30/9/2002. [8 marks]
- (ii) Draw a balance sheet as at 30/9/2002 [7 marks]

## QUESTION FOUR (20 MARKS)

- (a) Explain briefly any 3 reasons why the amount of Cashflows of a business may differ from the profits generated by the business during a given period. [6 marks]

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- (b) The following information is taken from the bank column of the cash book and the bank statement respectively of Nyag cooperative society.

Cash book					
May 2002	Shs	May 2002	Shs		
1	Bal b/d	17500	4	B Ndolo	7500
5	E Mambo	850	6	Contra	280
6	Contra	280	8	M Njeri	1300
11	W Hamisi	1100	11	A	1800
14	Ole Nacharo	4500	15	Ramadhan	
		<u>24230</u>		Bal c/d	<u>13350</u>
					<u>24230</u>

Bank statement				
Date	Dr.	Cr.	Bal.	
May 2002	Sh	Sh	Sh	
1 Balb/f			17500	
4 Standing order	470		17030	
7 B Ndolo	7500		9530	
8 E Mambo		850	10380	
11 M Njeri	850		9080	
13 W Hamisi		1100	10180	
14 Unpaid cheque E Mambo	850		9330	
15 Rent receivable		3000	12330	

Required:

- (i) Updated cash book [9 marks]
- (ii) Prepare a statement to reconcile the difference between the two balances. [5 marks]