THARAKA UNIVERSITY COLLEGE

(A Constituent College of Chuka University)

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGRE OF BACHELOR OF COMMERCE

BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS: BCOM YIS2 **TIME: 2 HOURS**

DAY/DATE: TUESDAY 14/04/2020 **2.30 PM – 4.30 PM**

INSTRUCTIONS:

- **Answer Question One and any other Two Questions**
- **Do not write on the question paper**

QUESTION ONE

(a) Explain briefly the following cashflow activities

(i) Operating activities. [2 marks]
(ii) Financing activities [2 marks]
(iii) Investing activities [2 marks]

(b) Kimani and Otieno have been trading in partnership as Kioti traders. The following trial balance was extracted from the books of the partnership as at 31 December 2003.

	Dr Sh.	Cr Sh.
Capital account – 1 July 2003		
Kimani		155,000
Otieno		55,000
Current accounts – 1 July 2003		
Kimani		15,500

Otieno		25,500
Sales		765,000
Stock – 1 January 2003	155,000	
Salaries and wages	75,250	
Rent	25,500	
General expenses	15,500	
Electricity	5,600	
Debtors/creditors	75,000	57,750
Transport costs	25,650	
Drawings: Kimani	35,500	
Otieno	45,500	
Cash in hand	25,250	
Fixed assets	35,000	
Purchases	555,000	
	1,073,750	1,073,750

Additional information:

1. Stock as at 31 December 2003 was valued at ksh. 205,000
2. A depreciation charge with respect to the fixed assets amounting to ksh. 5750 had been made for the year ended 31 December 2003
3. As at 31 December 2003, wages amounting to ksh 5,250 were accrued and rent amounting to ksh. 5,500 was prepaid
4. During the year ended 31 December 2003, goods costing ksh. 5,170 were converted to personal use by Kimani. No entry was made to record.
5. The partnership agreement provided that profits and losses should be shared equally between the partners after:
   - Allowing for annual salaries of ksh. 15,000 for Kimani and ksh. 25,000 for Otieno
   -Allowing interest of 5% per annum on the balance of each partners capital account.
   -Charging Kimani ksh. 5,100 and Otieno Sh. 5150 as interest on drawings
6. The balances on the capital account are to remain unchanged and all adjustments are to be made in current accounts.

Required:

(i) Trading, profit and loss and appropriation account for the year ended 31 December 2003. [12 marks]

(ii) Balance sheet as at 31st December 2003 [8 marks]

(c) Explain the term imprest system as used in petty cash book. [4 marks]

QUESTION TWO

(a) Explain on four causes of the difference between cash book balance and bank statement balance of an entity. [8 marks]

(b) The summary of the bank column of the cashbook of xyz company ltd for the year ended 31 December 2004 was as follows:

Cash book summary

Bal b/f	239,830	Payments	45,896,575
Receipts	48,209,310	Bal c/f	2,552,565
	48,449,140		48,449,140

Upon further investigations of the accounting records, the following matters were discovered.

1. Standing order in respect of the following items had been entered in the bank but had been omitted from the cashbook
   - Hire purchase equipment - ksh 13920 per month
   - Annual Insurance Premium – ksh 21750
2. A cheque drawn for ksh. 23900 had been entered in the cashbook as ksh 29300
3. Cheques paid to suppliers amounting to ksh. 208,075 had not yet been presented to the bank and cheques paid into the bank amounting to ksh. 234,900 on 31st December 2004 had not yet been credited to the company's account
4. Bank charges of ksh. 65,540 had not been entered in the cash book and the receipts side of the cash book had been overcast by ksh. 29,000
5. A cheque for ksh 34,510 had been debited to the company's bank account by mistake.
6. A direct transfer from a debtor's account amounting to ksh. 11,125 had not been recorded in the cash book.

Required:

(i) Updated cashbook as at 31 December 2004 [8 marks]

(ii) Bank reconciliation statement as at 31 December 2004. [4 marks]

QUESTION THREE

The following is an extract of the financial statements of Junet Ltd for the years 2005 and 2006.

Balance sheet as at 30th June

	2005	2006
	Ksh '000'	Ksh '000'
Non -current Assets	72,500	75,000
Current Assets:		
Inventory	24,500	26,500
Receivables	34,000	36,500

Cash at bank	1,250	2,250
	59,750	65,250
Total Assets	132,250	140,250
Capital & reserves:		
Issued share capital	50,000	50,050
Reserves	26,100	32,600
Non-current liabilities:		
Bank loan (10%)	20,000	21,500
Current Liabilities: -		
Trade payables	31,900	31,000
Taxation	2,250	2,950
Dividend	2,000	2,150
	132,250	140,250

Profit and Loss account
For the year ended 30 June 2006

	Ksh "000"
Sales Revenue	195,000
Profit from operations	13,750
Interest cost	(2,150)
Profit before taxation	11,600
Less: Income tax	(2,950)
Profit after tax	8,650
Dividends	(2,150)
Net profit for the period	6,500

Additional information:

(i) Depreciation charge for the year was ksh 6,000,000

(ii) Non – current assets disposed in the year at ksh 300,000 had an accumulated depreciation of ksh. 175,000 and a cost of ksh. 500,000

Required:
Prepare a statement of cashflows for the year ended 30th June 2006.[20 marks]

QUESTION FOUR

(a) Differentiate between receipts and payments account and income and expenditure account. [2 marks]

(b) The following is a trial balance of Ben ltd, a manufacturing company, as at 30 June 2005.

	Ksh	Ksh
Sales		4,434,000

Purchases of raw materials	2,190,000	
Carriage outwards	49,000	
Wages and salaries (x)	1,458,000	
Rates & insurance	108,000	
Sundry expenses (x)	365,000	
Stock – 1 July 2004:		
Raw materials	414,000	
Finished goods	180,000	
Vehicles expenses	144,000	
Fixed assets at cost: -		
Factory premises	1,200,000	
Plant and machinery	300,000	
Motor vehicles (x)	72,000	
Provision for depreciation; 1 July 2004		
Factory premises		168,000
Plant & machinery		108,000
Motor vehicle		30,000
Debtors and creditors	48,000	54,000
Bank overdraft		84,000
Retained profit 1 July 2004		370,000
Ordinary shares 64000 of sh. 20 each		1,280,000
	6,528,000	6,528,000

Additional information:

(i) Stock at 30 June 2005:
Raw materials sh. 504000
Finished goods sh. 222000

(ii) Provision for depreciation is to be made on straight line basis as follows: Factory premises and plant and machinery at 10% per annum, motor vehicles at 25% per annum

(iii) Salaries and wages include director's remuneration of ksh. 216,000

(iv) Expenses related to items marked (x) in the trial balance are to be apportioned to the manufacturing and profit and loss account in the ratio of 2:1 respectively.

Required:

(i) Manufacturing account for the year ended 30th June 2005. [6 marks]

(ii) Trading, profit and loss account for the year ended 30 June 2005 [6 marks]

(iii) Balance sheet as at 30 June 2005 [6 marks]
