

CHUKA



UNIVERSITY

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EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE, BACHELOR OF ENTREPRENEURSHIP AND ENTERPRISE MANAGEMENT, BACHELOR OF COOPERATIVE MANAGEMENT AND BACHELOR OF HOTEL MANAGEMENT

BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS: BCOM, BEEM, BCOP, BCHM YIS2

TIME: 2 HOURS

DAY/DATE: TUESDAY 14/04/2020

8.30 AM – 10.30 AM

INSTRUCTIONS:

Answer Question One and any other Two Questions

Question One

- (a) Describe a statement of affairs and explain why it is prepared by accountants. [6 marks]
- (b) Briefly explain any four main contents of partnership agreement. [6 marks]
- (c) ABC Gold club has presented the following information relating to subscriptions from members as at 31st December 2019.

	01 Jan 2019	31 Dec 2019
	Sh.	Sh.
Subscriptions due from members	300,000	375,000
Subscriptions received in advance	85,000	70,000

Additional information:

- The receipt and payment account recorded subscription from members as follows for the year to 31st December 2019

Subscriptions receipts for 2018	249,000
Subscriptions receipts for 2019	2,050,000

Subscriptions receipts for 2020 194,000

2. It is the policy of the club to write-off subscriptions in arrears after 12 months

Required:

A subscription account for year ended 31st December 2019 [6 marks]

- (d) The following is an extract from the cash book (bank column only) of John, a sole trader, for the month ended 31 January 2017.

Balance b/d	703,500	Payments	7,760,000
Receipts	7,536,500	Bal c/d	480,000

Additional information:

- The bank statement as at 31 January 2007 showed that the bank account was overdrawn by sh. 62,000
- Bank charges of sh. 17,500 had not been entered in the cash book
- A cheque drawn of sh. 23,500 had been entered in the cash book as a receipt
- A cheque for sh 9000 had been returned unpaid by the bank but had not been written back in the cash book.
- The opening balance of the cash book should have been brought down as sh. 735,000
- Cheques paid to suppliers for sh. 107,000, sh. 15,000 and sh. 185,000 had not yet ben debited by the bank
- The last pay-in-slip for the month showing a deposit of sh. 771,000 had not yet been credited by the bank.
- The bank had debited a cheque for sh. 36000 by mistake to John account

Required:

Updated cash book as at 31 January 2007 [7 marks]

Bank reconciliation statement as at 31 January 2007 [5 marks]

Question Two

Kimani and Mwangi have been trading in partnership as Kimwa Traders. The following trial balance was extracted from the books of the partnership as at 31 December 2019.

Item	Dr Sh, '000'	Cr Sh '000'
Capital account – 1 January 2019		
Kimani		155,000
Mwangi		55,000
Current accounts – 1 January 2019		
Kimani		15,500

Mwangi		25,500
Sales		765,000
Stock – 1 January 2019	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	
Mwangi	45,500	
Cash in hand	25,250	
Property, plant and equipment	35,000	
Purchases	555,000	
	<u>1,073,750</u>	<u>1,073,750</u>

Additional information:

1. Stock as at 31 December 2019 was valued at sh. 205 million
2. A depreciation charge with the respect to the property, plant and equipment amounting to sh. 5,750,000 will be made for the year ended 31 December 2019
3. As at 31 December 2019, wages amounting to sh. 5,250,000 were accrued and rent amounting to sh. 5,500,000 was prepaid
4. The partnership agreement provided that profits and losses should be shared equally between the partners after:
Allowing for annual salaries of sh. 15 million for Kimani and sh. 25 million for Mwangi
Allowing interest rate of 5% per annum on the balance of each partner's capital account.
Charging Kimani ksh 5,100,000 and Mwangi sh. 5,150,000 as interest on drawings
5. The partnership maintains its books of accounts based on the fixed capital system.

Required:

- (a) Income statement and appropriation account for the year ended 31st December 2019. [10 marks]
- (b) Statement of financial position as at 31st December 2019. [10 marks]

Question Three

The following is a trial balance of Mareba ltd, a plastic manufacturing firm for the year ended 31 December 2016.

Dr Cr

	Shs.000	Sh.000
Stock of raw materials 1.1.2016	21,000	
Stock of finished goods 1.1.2016	38,900	
Work in progress 1.1.2016	13,500	
Direct wages	180,000	
Factory indirect wages	145,000	
Supervisors salary	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost 280,000)	230,000	
Accounting machinery (cost 20,000)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Sales representatives' salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1,000,000
Debtors and creditors	142,300	125,000
Bank	56,800	
Cash	1,500	
Drawings	20,000	
Capital as at 1.1.2016		29,680
	<u>1,421,800</u>	<u>1,421,800</u>

Additional information:

As at 31 December 2016;

1. Stock of raw materials 24,000,000 stock of finished goods 40,000,000 work in progress 15,000,000
2. Lighting and rent and insurance are to be apportioned: factory 5/6ths, administration 1/6th
3. Depreciation on productive and accounting machinery at 10 per cent per annum on cost

Required:

Prepare:

- (a) Statement of manufacturing profit or loss and other comprehensive income for the year ended 31 December 2016.

- (b) Statement of financial position as at 31 December 2016. [20 marks]

Question Four

- (a) Describe Not-for-profit-organizations and how accounting for NPO differs from that of profit-making organizations. [4 marks]
- (b) The following is the income statement and statement of financial position of Bright limited for the year ended 31st December 2019.

Statement of financial position as at 31st Dec 2019

	2019 Sh '000'	2018 Sh '000'
Assets		
Property, plant and equipment	19,200	16,000
Less accumulated depreciation	(8,100)	(6,400)
Inventory	3,200	2,400
Accounts receivables	4,540	4,800
Cash and bank	<u>6,000</u>	<u>4,400</u>
	<u>24,840</u>	<u>21,200</u>
Equity and liabilities		
Ordinary share capital	9,260	8,000
Retained earnings	7,840	4,200
10% debentures	-	2,000
Other payables	1,900	1,000
Accounts payables	2,900	2,600
Income tax payable	<u>2,940</u>	<u>3,400</u>
	<u>24,840</u>	<u>21,200</u>

Income statement for the period ended 31st December 2019

	Sh '000'
Revenue	42,000
Cost of sales	<u>(28,000)</u>
Gross profit	14,000
Operating expenses	
Selling and administration cost	<u>(8,800)</u>
Profit before taxes	5,200
Income tax expense	<u>(1,560)</u>
Net profit	<u>3,640</u>

Additional information

- Depreciation is treated as a selling and administration cost.

Required:

Statement of cash flow for the year ended 31st December 2019. [16 marks]
