

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

## ODEL

## EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

## BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS: BCOM Y1S2

TIME: 2 HOURS

DAY/DATE: TUESDAY 30/03/2021

8.30 A.M – 10.30 A.M

## INSTRUCTIONS:

Answer question one and any other two questions

## QUESTION ONE

- (a) Explain the following cash flow 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 Biashara traders. The following trial balance was extracted from the books of the partnership as at 31<sup>st</sup> December 2013.

	Dr	cr
Sales		765,000
Stock – 1 <sup>st</sup> January 2013	155,000	
Salaries & wages	75,250	
Rent	25,500	
Electricity	15,500	
General expenses	5,600	
Debtors/creditors	75,000	57,750
Transport cost	25,650	
Drawings: Kimani	35,500	
Otieno	45,500	
Cash in hand	25,250	
Fixed assets	35,000	
Purchases	555,000	

Capital accounts -1 <sup>st</sup> January 2013	Kimani	155,000	
	Otieno	55,000	
Current accounts -1 <sup>st</sup> January 2013	Kimani	15,500	
	Otieno	<u>25,500</u>	
		<u>1,073,750</u>	<u>1,073,750</u>

### Additional information

- (1) Stock as at 31<sup>st</sup> December 2013 was valued at ksh 205,000
- (2) Depreciation charge with respect to the fixed assets amounting to kah 5,750 had been made for the year ended 31<sup>st</sup> December 2013.
- (3) As at 31<sup>st</sup> December, wage amounting to ksh 5,250 were accrued and rent amounting to ksh 5,500 was prepaid.
- (4) During the year ended 31<sup>st</sup> December 2013, goods costing ksh 5,170 were converted to personal use by Kimani. No entry was made to record the transaction.
- (5) The partnership agreement provided that profits and losses should be shares equally between the partners after:
  - Allowing the annual salaries of ksh 15,000 for Kimani and ksh 25,000 for Otieno
  - Allowing interest of 5% per annum o the balance of each partner's capital account.
  - Charging Kimani ksh 5,100 and Otieno kah 5150 as interest on drawings.
- (6) The balance on the capital account are to remain unchanged and all adjustments are to be made in current accounts.

### Required :

- (i) Trading, profit and loss appropriation account for the year ended 31<sup>st</sup> December 2013. [12 marks]
- (ii) Statement of financial position as at 31<sup>st</sup> December 2013. [8 marks]
- (c) Explain the consent of partnership deed/agreement. [4 marks]

**QUESTION TWO**

- (a) Explain three causes of the difference between cash book balance and bank statement of an entity. [6 marks]
- (b) You have recently been employed by a medium size company and deployed in the accounts department. Your head of section has been given you the following extract from the cash book for the month of April 2018.

Cash book			
Receipts	2,938,000	Bal b/d	1,522,000
Bal c/d	1,108,000	Payments	2,524,000
	4,046,000		4,046,000

**Additional information:**

- (1) The bank statement as at 30<sup>th</sup> April 2018 showed an overdraft of ksh 2,324,000
- (2) Bank charges and commissions amounting to ksh 272,000 entered in the bank statement had not been entered in the cashbook.
- (3) Cheque received amounting to kah 1,524,000 had been entered in the cashbook and paid into the bank, but had not been credited by the bank until May 2018.
- (4) Cheque drawn amounting to 534,000 had not been presented to the bank for payment.
- (5) A cheque for ksh 44,000 had been entered as a receipt in the cashbook instead of a payment.
- (6) A cheque of kah 50,000 had been debited by the bank by mistakes.
- (7) A cheque received for ksh 160,000 had been returned by the bank as dishonored.
- (8) All dividends receivable are credited to the bank account. During the month of April 2018 dividends totaling ksh 124,000 were credited by the bank and no entry had been made in the cash book.
- (9) A cheque drawn of ksh 12,000 had been incorrectly entered in the cash book as ksh 132,000.
- (10) The balance b/f should have been ksh 1,422,000.

**Required :**

- (i) Adjusted cash book as at 31<sup>st</sup> April 2018. [8 marks]  
 (ii) Bank reconciliation statement as at 30<sup>th</sup> April 2018. [6 marks]

### QUESTION THREE

- (a) The following trial balance was extracted from the books of real tech manufacturers ltd on 31<sup>st</sup> Dec 2014.

	Dr	Cr
Stock 1 <sup>st</sup> Jan 2014- Raw materials	459,000	
- Work in progress	578,000	
- Finished goods	516,000	
Plant and machinery	1,500,000	
Office furniture	470,000	
Sales		7,735,000
Purchases of raw materials	1,870,000	
Factory wages – direct	1,275,000	
Supervisory salaries	170,000	
Factory insurance	61,200	
Factory electricity & power	51,000	
Plant repair & maintenance	136,000	
Advertising expenses	33,000	
Factory rates	57,600	
Office salaries & wages	680,000	
Office electricity & water	142,000	
Telephone & email expenses	28,500	
Postage & stationery	28,500	
Debtors /creditors	444,000	323,000
Cash at bank	181,000	

Capital		661,200
Bank charges	21,500	
Bad debts written off	<u>16,100</u>	<u>          </u>
	<u>8,719,200</u>	<u>8,719,200</u>

**Additional information:**

(1) Stock as at 31 <sup>st</sup> December 2014 – raw materials	510,000
-Work –in-progress	680,000
-finished goods	425,000

(2) Depreciation is to be charged on straight line methods as follows; Plant & machinery 25%, furniture 12.5%

(3) Expenses accrued: office salaries & wages ksh 20,000, postage and stationery ksh 4,500.

**Required :**

- (i) Manufacturing account for the year ended 31<sup>st</sup> December 2014. [8 marks]
- (ii) Income statement for the year ended 31<sup>st</sup> December, 2014. [6 marks]
- (iii) Statement of financial position as at 31<sup>st</sup> December 2014. [6 marks]

**QUESTION FOUR**

- (a) Differentiate between receipts and payments account and income and expenditure account. [4 marks]
- (b) Mark is a sole trader in a business known as Mark traders. He keeps his petty cash on an imprest system, amount being ksh 40,000. The following are the petty cash transactions for the month of March 2018.

1 <sup>st</sup> March :petty cash in hand	40,000
2 <sup>nd</sup> : paid wage	3,978
3 <sup>rd</sup> : cost of email	2,716
13 <sup>th</sup> : paid wages	5,840
15 <sup>th</sup> :bought foods cup papers	3,090
19 <sup>th</sup> : paid wages	5,940
21 <sup>st</sup> :Bought postage stamps	2,420
26 <sup>th</sup> : Bought pens	2,352
27 <sup>th</sup> Bought envelopes	1,940

**Required:**

Write up a petty cash book to record above transactions with columns for wages, postage and stationery on imprest system. [10 marks]

(c) Explain the following terminologies:

- (i) Manufacturing overheads [2 marks]
- (ii) Prime cost [2 marks]
- (iii) Direct materials [2 marks]