CHUKA   **UNIVERSITY**

UNIVERSITY EXAMINATION

RESIT/SUPPLEMENTARY / SPECIAL EXAMINATIONS EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF

BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS: **TIME: 2 HOURS**

DAY/DATE: MONDAY 3/5/2021   **11.30 A.M - 1.30 P.M.**

INSTRUCTIONS

Question One

1.(a) John and Jimmy are in a partnership sharing profits in the ratio 3:2. The following is their trial balance as at 30th Sept 2015.

	Dr (ksh)	Cr (ksh)
Buildings (costs 210,000)	160,000	
Fixtures at cost	8,200	
Provision for depreciation : fixtures		4,200
Accounts receivables	61,400	
Accounts payable		26,590
Cash at bank	6130	
Inventory at 30th sept 2014	62,470	
Sales		363,111
Purchases	210,000	
Carriage outwards	3,410	
Discount allowed	620	
Loan interest	3900	
Office expenses	4,760	
Salaries & wages	57,809	
Bad debts	1632	
Allowance for doubtful debts		1,400
Loan KCB		65,000
Capital : John		100,000
Jimmy		75,000

Current accounts John		4,100
Jimmy		1,200
Drawings: John	31,800	
Jimmy	28,200	………..
	640,601	640,601

Additional information
(i)   Inventory 30thsep 2015 ksh 74,210.
(ii)   Expenses accrued : office expense ksh 215
(iii)   Prepaid expenses: wages ksh 720
(iv)   Depreciation fixtures at 15% on reducing balance basis and buildings at 5% on straight line method.
(v)   Reduced provision for doubtful debts to ksh 1,250.
(vi)   Partnership salary of ksh 30,000 is payable to John.
(vii)   Interest on drawings John ksh 900, Jimmy ksh 600.
(viii) Interest on capital account balances at 5% is paid to partners.

Required :
(i)   Trading Profit and Loss and appropriation account.   [15marks]
(ii)   Partners' current account.   [6marks]
(iii)   Statement of financial position as at 30th Sept 2015.   [9marks]

Question Two
The following trial balance was extracted from the books of Maara manufacturers limited on
31stDec 2014.

	Dr. (shs)	Cr (shs)
Stock at January 2014		
Raw materials	459,000	
Work in progress	578,000	
Finished goods	516,800	
Plant and machinery	1,500,000	
Office furniture and equipment	470,000	
Sales of finished goods		7,735,000
Purchase of raw materials	1,870,000	
Factory wages	1,275,000	
Supervisory salaries	170,000	
Factory insurance	61,200	
Factory electricity & power	51,000	
Plant repairs and maintenance	136,000	
Adverting	33,000	
Factory rates	57,600	
Office salaries & wages	680,000	
Office electricity & water	142,000	
Telephone, faxes and emails	28,500	
Postage & stationery	28,500	

Debtors	444,000	
Creditors		323,000
Cash at bank	181,000	
Capital		661,200
Bank charges &interests	21,500	
Bad debts w/off	16,100	
	8,719,200	8,719,200

Additional information:

(i)   Stocks as at 31st Dec 2014
        Raw materials sh.510,000
        WIP   680,000
        Finished goods   425,000

(ii)   Depreciation is to be charged as follows

        Plant and machinery 25%
        Furniture and equipment 12.5%

Required:
 The manufacturing, trading profit and loss account for the year ended 31stDec 2014.
[15 marks]

b) Explain the reasons for preparing Bank Reconciliation Statements   [5 marks]

QUESTION THREE
(a) Mark is a sole trader in a business known as a mark traders. He keeps his petty cash on imprest system amount being ksh 40,000. The following are the petty cach transactions for the month of March 2015.

1st petty cash in hand	40,000
2nd paid wages	3978
3rd cost of E-mail	2716
13th paid wages	5840
15th bought fools cap paper	3090
19th paid wages	5940
21st bought postage stamps	2420
24th paid wages	5996
26th bought pens	2352
27th Bought envelopes	1940

Required :
(i)   Write a petty cash book to record above transactions with column for wages, postage and stationery on imprest system.   [10 marks]

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

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

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

Required:

(i)   Updated Cash book as at 31 January 2007.   [6 marks]

(ii)   Bank reconciliation statement as at 31 January 2007.   [4 marks]

QUESTION FOUR
(a) The following is an extract of Jamii limited financial statement for 2005 and 2006
Balance sheet as at 30th June 2006

	2005	2005
Non-current asset	72,500	75,000
Current assets		
Inventory	24,500	26500
Receivables	34000	36,500
Cash at bank	1,250	2,250
	132,250	140,250
	======	======
Capital &Reserves		
Issued share capital	50,000	50,000
	26,100	32,600
Non-current liabilities		

Bank loans 10%	20,000	21,000
Current liabilities		
Trade payables	31,900	31,000
Taxation	2,250	2,950
Dividend	2,000	2150
	132,250	140,250
	======	======

Profits and loss a/c year ended 30th June 2006.

	Sh '000'
Sales revenue	195,000
Profits from operation	13,750
Interest cost	(2150)
Profit before taxation	11600
Income tax expenses	(2950)
Profit after tax	8650
Dividends	(2150)
Net profit for the period	6500
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Additional information

Depreciation charge for the year sh. 6,000,000

Non-current assets disposed in year at sh 300,000 had an accumulated depreciation of sh 175,000 and has costed sh 500,000

Required:

i)   Prepare a cash flow statement using indirect method   [14 marks]

(b) Explain the differences between accounting for NPO and the accounting for Profit Making Organizations   [6 marks]

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