

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE
 BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS:BCOM

TIME: 2 HOURS

DAY/DATE: MONDAY 01/02/20212.30 P.M – 4.30 P.M

INSTRUCTIONS:

Answer question ONE and any other TWO

QUESTION ONE

- (a) Briefly explain petty cash book keeping and how the imprest system works. 5MKS
- b) Malisafi ltd manages their petty cash on imprest system with imprest of 25,000/= per week. The following were petty cash payment for week ending 25th June 2014.

Date	Voucher No.	Description	Amount
21/6/14	101	Newspaper	1000
22/6/14	102	Cleaning material	2300
22/6/14	103	Mobile phone scratch cards	500
22/6/14	104	Tea, milk & coffee for office	2500
23/6/14	105	Wages	2000
24/6/14	106	Stationery	2000
24/6/14	107	Taxi charges	800
25/6/14	108	Managers lunch	1000
25/6/14	109	Printing	700

Required: Draw petty cash book for week ended 25th June 2014. [10 marks]

- c) write brief notes on the following terms
- Uncredited cheques [2 marks]
 - Unpresented cheques [2 marks]
 - Dishonoured cheques [2 marks]

- d) Highlight 3 causes of deviation between the cashbook and bank statement balances. [3 marks]

e) The balances in cashbook of Mr. Kamau as at 31/12/14 was 25,000. On the same date, balance as per bank statement was 45,000

On examining the bank statement and cash book, the following differences were observed.

Cheques totaling sh 8000 had been paid into bank on 31/12/14 but were credited by bank until 1/1/15.

Bank charge amount to sh 500

A standing order to KPLC of sh 900 had been paid by the bank but not entered in the cashbook.

Interest income amounting to sh 13000 collected by the bank did not appear in cash book.

Amounts paid to suppliers but not presented for payment to bank amounted to sh 16,400.

Required:

- (a) Adjusted cash book [5 marks]
 (b) Bank reconciliation statement [3 marks]

QUESTION TWO

(a) Giving relevant examples, explain the classification of cash flows in the statement [6 marks]

b) The following is an extract of financial statement of evident enterprise ltd for 2005 and 2006.

Balance sheet as at 30 June	2005 and Sh '000'	2006 Sh '000'
Non-current assets	72,500	75,000
<u>Current assets</u>		
Inventory	24,500	26,500
Receivables	34,000	36,500
Cash at bank	1250	2250
	132,250	(40,250)
<u>Capital & reserves</u>		
Issues share capital	50,000	50,050
Reserves	26,100	32,600
<u>Non-current liabilities</u>		
Bank loans 10%	20,000	21,500
<u>Current liabilities</u>		
Trade payables	31900	31000
Taxation	2250	2950

Dividends	2000	2150
	132,250	1402
		50

Profit and loss a/c for year ended 30 June 2006

	Sh '000'
Sales revenue	195,000
Profit from operation	13750
Interest cost	<u>(2150)</u>
Profit before taxation	11600
Income tax expense	<u>(2950)</u>
Profit after tax	8650
Dividends	<u>(2150)</u>
Net profit for period	<u>6500</u>
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Additional information

1. Depreciation charges for the year sh 6,000,000
2. Non-current asset disposed in the year at sh 300,000 had an accumulated depreciation of sh 175,000 and had costed sh 500,000

Required:

Cash flow statement

[14 marks]

QUESTION THREE

a) Differentiate between prime cost and direct costs as used in manufacturing accounts.

[11marks]

b) State and explain 3 sources of revenue for non-profit making organization. [3 marks]

c) State the differences between receipts and payments accounts and income and expenditure accounts. [3 marks]

d) The following schedule of balances was extracted from the accounting records of Imani manufacturing limited as at 31/8/1990.

Stock as at Sep. 1989	Raw materials	13550
	Work in progress	6500
	Finished good	12800
Purchases and expenses for year to 31/8/1996		
	Purchase of raw materials	237,650
	Indirect materials	1850
	Direct wages	53234

Factors power	4550	
Factory heating & lighting	1975	
Office heating & lighting	930	
Printing and stationery	1264	
Postage & telephone	520	
Factory salaries	11500	
Office salaries	9900	
Factory Insurance	1210	
Depreciation: factory equipment & building		5000
Office equipment & building		650
Office expenses		1680
Advertising		850
Sales & manufactured produce to 31 st August 1990		378150

Additional information:

- Finished goods manufactured during accounting period are transferred from the factory of manufacturing price of cost of production plus 10%.
- Stock at 31st August 1990:

Raw materials	24,000
Work in progress	7987
Finished goods	18050
- Prepayment at 31st Aug 1990:

Factory insurance	116
Other insurance	45
- Accruals:

Indirect wage	1342
Factory heating & lighting	197
Office heating & lighting	43
Factory power	350

Required: manufacturing account for period ended 31/8/1990

QUESTION FOUR

- Highlight the contents of partnership deed. [10 marks]
- Githii Wamae and Kosgey are in partnership with capital of 200,000, 80,000 and 20,000 respectively. Their partnership agreement provides for the following:
 - Interest on capital at 4% p.a
 - Interest chargeable on drawings at 5% p.a

- (iii) Wamae and Kosgey to receive salaries of sh 22,000 each p.a
- (iv) Profit and loss to be shared among partners as follows: Githii 6/10
Wamae 3/10, Kosgey 1/10.

Additional information:

Current account balance of 1st Jan 2000 were

Githii – credit balance sh 6200

Wamae – Credit balance sh 3800

Kosgey – debit balance sh 1900

During the year, quarterly drawing were as follows

Githii sh 2400, Wamae sh 1800, Kosgeish 1800

Net profit for year ended 31/12/2000 was 105,600

Required:

(a) Profit and loss appropriation account [6 marks]

(b) Partners current account [4marks]