

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL EXAMINATION

**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****TIME: 2 HOURS****DAY/DATE: WEDNESDAY 03/11/2021****11.30 A.M – 1.30 P.M.****INSTRUCTIONS:**

- Answer question ONE and any other TWO questions.

QUESTION ONE

- a) Explain FIVE contents of a partnership deed or agreement (10 marks)
- b) Explain three classification of cash flows in a cash flow statement (6 marks)
- c) Explain with examples what is meant by Not for Profit organizations (NPOs) and explain how accounting for NPOS differ from that of Profit making Organizations and sources of revenue for NPOS (10 marks)
- d) Explain the following terms: Direct material 2mk Direct expense (2 marks)

QUESTION TWO

Kwetu Ltd. manufactures chicken and cattle feeds. The following list of balances was extracted from the books of account of the company as at 31 December 2020:

Inventory as at 1 January 2020	Sh.
Raw materials	1,270,000
Work in progress	1,555,000
Finished goods	1,163,000
Purchase of raw materials	4,576,750
Carriage of raw materials	98,000

Direct labour	4,210,400
Office salaries	1,670,950
Rent	260,000
Electricity (office)	221,000
Depreciation expenses: Machinery	510,000
Equipment (office)	115,000
Sales	15,931,100
Electricity (factory)	406,000

Additional information:

1. Inventory as at 31 December 2020 was given as follows:

	Sh.
Raw materials	1,445,000
Work in progress	1,230,000
Finished goods	1,442,000

2. Rent is to be apportioned between factory and office in the ratio 3:1

3. Finished goods are transferred from factory to sales at a markup of 20 per cent.

Required:

- i. Manufacturing account for the year ended 31 December 2020 (14 marks)
 ii. Income statement for the year ended 31 December 2020 (6 marks)

QUESTION THREE

Kimani and Mwaura are in partnership sharing profits equally. The following is their Trial Balance as at 31.12.2012

	Dr	Cr
Capital – Kimani		60,000
Capital – Mwaura		40,000
Current – Kimani		4,200
Current – Mwaura		3,400
Drawing – Kimani	6,500	
Drawings – Mwaura	8,400	
Purchases	90,450	
Debtors / Creditors	24,000	7,450
Van running expenses	1,800	
Stock	22,500	
Rent and rates	4,650	
Sales		135,000
Advertising	5,860	
Bank	18,060	
Motorvan	24,000	
Telephone & stationery	3,240	
Discounts	2,240	1,650
Furniture and fittings	40,000	
Total	251,700	251,700

- (i) Closing stock, shs. 38950
 (ii) Allow interest on capitals at 5% p.a
 (iii) Allow salaries to Kimani shs. 6000 and Mwaura shs. 8400

- (iv) Depreciate motor vans at 10% p.a and furniture and fittings at 15% p.a on straight line method
 (v) Create a provision for bad debts of 5% on debtors.
 (vi) Interest on drawings should be charged at 10% p.a

Required:

Trading, profit and loss and appropriation statement as at 31.12.2012	[10 marks]
Partners current accounts	(3 marks)
Balance sheet as at 31.12.2012	(7 marks)

QUESTION FOUR

(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 cash transactions for the month of March 2015.

1 st petty cash in hand	40,000
2 nd paid wages	3978
3 rd cost of E-mail	2716
13 th paid wages	5840
15 th bought fools cap paper	3090
19 th paid wages	5940
21 st bought postage stamps	2420
24 th paid wages	5996
26 th bought pens	2352
27 th 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) Explain five reasons for the differences between cashbook bank column and the balance as per bank statement that make it necessary to do bank reconciliation (10 marks)
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