CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS
EMBU CAMPUS
EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE
BCOM 112 PRINCIPLES OF ACCOUNTING II
STREAMS: BCOM
TIME:2 HOURS
DAY/DATE: THURSDAY 07/08/2025 **8.30A.M. –10.30 A.M**

INSTRUCTIONS
Answer question one and any other two questions

QUESTION ONE

a) A partnership is a relationship between two or more people who come together to undertake a business activity with the aim of making profits. Elaborate five types of partners in a partnership firm (10 marks)

b) Bernard and Caroline sharing profits and losses in the ratio 2:1 respectively. The following is their trial balance as at 31 August 2024:

	DR Sh "000"	CR Sh "000"
Sales		360,000
Purchases	270,000	
Inventory (1 September 2023)	43,360	
Staff salaries	12,000	
Administration expenses	18,000	
Distribution expenses	65,040	
Capital accounts-Bernard -Caroline		45,000 30,000
Current accounts-Bernard -Caroline		5,000 2,000
Freehold property at cost	87,600	
Equipment at cost	10,000	
Motor vehicle at cost	28,000	
Accumulated depreciation (1 September 2023)		

- Equipment - Motor vehicle		2,000 7,000
Rent received		78,000
Drawings account – Bernard -Caroline	6,000 3,000	
Cash in hand	5,000	
Bank overdraft		25,000
Trade receivables and trade payables	14,000	8,000
Total	**562,000**	**562,000**

Additional information:

1. Closing inventory was valued at Sh 15,000,000
2. Rent income received in advance amounted to Sh 6,000,000.
3. Partners salary amounting to Sh 3,000,000 has been debited to staff salary.
4. Depreciation as provided on equipment at 20% reducing balance method and motor vehicles at 25% on straight line method.

Required:

i. Statement of income for the year ended 31 August 2024 (12 marks)

ii. Statement of financial position as at 31 August 2024 (8 marks)

QUESTION TWO

The following trial balance was extracted from the books of Maua Ltd as at 31 December 2024.

	DR Sh "000"	CR Sh "000"
Purchases and sales	100,000	146,000
Carriage inwards	7,000	
Cash in hand	2,000	
Bank balances	17,000	
Bad debts	250	
Retained profits		8,800
Inventory at 1 January 2024	7,800	
Ordinary share capital		34,000
10% debentures		60,000
Equipment at cost	195,000	
Provision of depreciation - equipment		115,000
Internet charges	2,600	
General expenses	4,800	
Salaries and wages	10,000	
Carriage outwards	150	
Directors' fees	2,000	

Debentures interest	6,000	
Trade receivables and trade payables	19,000	6,800
Totals	**373,600**	**373,600**

Additional information:

1. An allowance for doubtful debts is to be created at 2% of trade receivables
2. Internet charges paid in advance amounted to Sh 500,000 and salaries and wages accrued amounted to Sh 300,000 as at 31 December 2024.
3. As at 31 December 2024, inventory was valued at Sh 37,800,000.
4. Provision to be made for depreciation of equipment at 10% on cost.

Required:

i. Statement of income as at 31 December 2024 (12 marks)
ii. Statement of financial position as at 31 December 2024 (8 marks)

QUESTION THREE

a) Elaborate the following terms as used in manufacturing accounts:
   i. Manufacturing overheads (2 marks)
   ii. Prime cost (2 marks)
   iii. Direct materials (2 marks)

b) The bank statement of Starlight Ltd for the month of May 2025 shows a closing balance of Ksh 7,300 while the cashbook bank column shows a different balance. Upon investigation, the following discrepancies were found:

1. Cheques issued but not yet presented Ksh 2,500.
2. Cheques deposited but not yet credited by the bank Ksh 1,800.
3. Bank charges of Ksh 250 had not been recorded in the cashbook.
4. A standing order for rent of Ksh 1,200 was paid by the bank but not entered in the cashbook.
5. A customer paid Ksh 3,000 directly into the bank, but this was not entered in the cashbook.
6. A cheque of Ksh 1,000 received from a customer was dishonored. This has not been adjusted in the cashbook.

Required:

Determine the corrected balance as per the cashbook (5 marks)

Prepare the bank reconciliation statement as at 31 May 2025 (4 marks)

c) Analyze the reasons as to why the cashbook bank column and the bank statement may fail to agree (5 marks)

QUESTION FOUR

a) Elaborate a not-for-profit organization and the differences between not-for-profit organization and profit-making organizations (10 marks)

b) A cashflow statement is a statement of inflows and outflows of cash and cash equivalents. Explain the three classifications of a statement of cashflows giving two components in each. (10 marks)
