CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF AGRIBUSINESS MANAGEMENT

AGBM 121: FINANCIAL ACCOUNTING

STREAMS: AGBM (ODEL) **TIME: 2 HOURS**

DAY/DATE: WEDNESDAY 07/08/2024 **8.30 A.M. – 10.30 A.M.**

INSTRUCTIONS:

- **Answer question ONE and any other TWO questions.**
- **Do not write anything on the question paper**

QUESTION ONE

a) Identify any four users of accounting information and their specific needs (8 marks)

b) Explain the following accounting terms and their importance in the preparation of financial statement

i Prudence concept (3 marks)

ii Money measurement concept (2 marks)

iii Going concern concept (3 marks)

c) Describe the main process of Financial accounting and give examples of what happens in each process. (8 marks)

d) Ratio analysis is an important techniques used in the financial accounting, list any four advantages and four disadvantages of ratios (6 marks)

QUESTION TWO

a) The following trial balance was extracted from the books of Kisauni Marketers Ltd on 31 December 2023

Particulars	Dr	Cr
Capital		250,000
Openin stock	25,000	
Plant and machine at cost	250 000	
Motor vehicle at cost	80,000	
Provision for depreciation: Plant and machinery Motor vehicle		 20,000 16,000
Purchases	360,000	
Sales		600,000
Wa es and salaries	60,000	
Returns	40,000	20,000
Discounts	5,000	4,000
Carria e inwards	2,500	
Carria e outwards	3 000	
Posta e and tele hone	7,500	
Water and electrici	8,600	
Bad debts written off	1,500	
Provisions for bad debts		1 000
General ex enses	8,500	
Rent and rates	15,000	
Debtors	55 000	
Creditors		46,600
Cash at hand	6 000	
Cash at bank	30 000	
	957,600	**957,600**

Additional information

i. Closing stock was valued at sh 22,500

ii. Depreciation to be charged at 30% and 10% on motor vehicle and plant and machinery respectively

iii. iii. Rent accrued sh 3,000

iv. Pre-paid rates sh 1,000

v. Outstanding electricity bill sh 600

vi. Provisions for bad debts to be adjusted to sh 1,300 Required:

   i. Income Statement for the year ended 31st December 2023 (12 marks)

   ii. Statement of financial position as at 31st December 2023 (8 marks)

QUESTION THREE

Mwakirunge Women Self-help Group has provided the following data for financial year ended 31st March 2024

LIABILITIES	SH	ASSETS	SH
Equity share capital	3,000,000	Good will at cost	1 400 000
6% reference capital	1,500,000	Plant and machine	1,800,000
General reserve	300,000	Land buildings	1,300 000
Profit and loss account	1,200,000	Furniture and fittings	300,000
Provisions for tax	300,000	Stock in trade	2,400,000
Bills a able	240,000	Bills receivable	100,000
Bank overdraft	60,000	Debtors	450,000
Creditors	240 000	Bank balance	90,000
12% Debentures	1,500 000	Lon -term marketable security	70,000

The following additional information was extracted from trading and profit account for the same period

i. Annual total revenues Sh 5,000,000
ii. Annual purchases Sh 3,000,000
iii. Annual expenditures Sh 1,200,000
iv. Other costs include debentures interest Sh 400,000
v. Taxation on profits 50% on net profit
vi. Opening sock Sh 2,500,000

a) Required:

i. Net profit (after tax ratio) (3 marks)

ii. Gross profit ratio (3 marks)

iii. Current ratio (3 marks)

iv. Quick ratio (3 marks)

v. Capital gearing ratio (3 marks)

b) Comment on the liquidity status of the company (5 mark)

QUESTION FOUR

Nyamita a sole trader in Gesima Market started business in May 2024 and has provided the following transactions for the month.

Date	Details for the month of May 2024
1st	Brought in capital in cash sh 400,000 and business bank deposits sh 2 000 000
4th	Purchases of stock in cash from Muruai sh. 300,000
6th	Stock purchases from OTOCHI cheque sh. 89,000
9th	Sales in credit to Duke sh. 78,000
12th	Cash sales of Nkatha sh. 102,000
16th	Purchases of Motor vehicle on credit from Thika Motors sh 1,300,000
18th	Payment to OTOCHI in cash sh. 89,000
22nd	Credit purchases from Mwaura sh. 250,000
23rd	Cheque a able to Mwaura sh. 240,000
27th	Withdrew from bank for home use sh 60,000
30th	Deposited into bank sh. 70,000

Required at the end of the month:

a) Two column cash book balanced off (7 marks)

b) Other respective Ledger account (cash and bank not required) (9 marks)

c) Trial balance (4 marks)