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**University Examinations 2015/2016**

FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE

OF

 BACHELOR OF COMMERCE

BACHELOR OF COOPERATIVE MANAGEMENT

BACHELOR OF COOPERATIVE MANAGEMENT

BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT

**BFC 3175: FINANCIAL ACCOUNTING II**

**DATE: APRIL 2016 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

1. Explain the various users of accounting information stating clearly why they need such information. (5 marks)
2. Shanice owns and manages a small manufacturing business in Lamu. The following is her trial balance as at 30 June 2006.

|  |  |  |
| --- | --- | --- |
|  | Sh.(DR) | Sh.(CR) |
| Administration expenses | 37,590 |  |
| Sales promotion | 3,000 |  |
| Cash in hand  | 1,350 |  |
| Rent debtors  | 5,000 |  |
| Capital (as at 1 July 2005) | 23,000 | 12,780 |
| Sales  |  | 207,360 |
| Factory direct wages  | 17,000 |  |
| Factory indirect wages  | 4,000 |  |
| Drawings  | 15,000 |  |
| OPffice furniture & fittings  | 4,600 |  |
| Factory power  | 9,000 |  |
| Heating & lighting  | 4,000 |  |
| Plant & machinery  | 69,200 |  |
| Plant hire  | 1,000 |  |
| Provision for bad debts |  | 800 |
| Provision for depreciation (as at 1 July 2005) |  |  |
| Plant & machinery  |  | 34,600 |
| Furniture & fittings  |  | 2,300 |
| Selling expenses  | 16,600 |  |
| Raw material purchases  | 57,000 |  |
| Stock at cost (1 July 2005) |  |  |
| Raw materials  | 2,000 |  |
| Work in progress  | 4,000 |  |
| Finished goods  | 6,000 |  |
|  |  |  |

**Additional Information**

1. Stocks as at 30 June were valued at cost as follows:

|  |  |
| --- | --- |
|  | Sh. |
| Raw material | 3,800 |
| Work in progress  | 7,600 |
| Finished goods  | 11,400 |

1. Expenditure on heating and lighting is to be apportioned between the factory and the office in the ratio 9:1.
2. Expenses for rent are to be shared between the factory and office in the ratio 3:2.
3. Provision for bad debts is to be made at 5% of debtors outstanding at 30 June 2006.
4. Accruals at 30 June 2006.

Factory power Sh.400

Rent Sh.1, 000

Prepaid salesman’s car insurance Sh.200

These terms were not included in the trial balance shown above.

1. Depreciation on plant and machinery is at 20% per annum. Using the reducing balance method.
2. Depreciation on furniture and fittings was at 10% per annum using the straight line method.

Required:

1. Manufacturing account. (5 marks)
2. Trading, profit and loss account. (10 marks)
3. Balance sheet as at 30 June 2006. (10 marks)

**QUESTION TWO (20 MARKS)**

Mutiso and Kivitu are partners sharing profits and losses. Mutiso 2/3 and Kivitu 1/3. The following is there trial balance as at 31 December 2002.

|  |  |  |
| --- | --- | --- |
|  | DR(shs) | CR(shs) |
| Sales and purchases | 262,000 | 395,000 |
| Returns  | 5,000 | 4,000 |
| Carriage inwards  | 12,000 |  |
| Entertainment expenses  | 3,600 |  |
| Motor van (Cost Sh.30, 000) | 24,000 |  |
| Furniture at cost  | 14,000 |  |
| Provision for depreciation –furniture |  | 4,000 |
| Capital A/C: |  |  |
|  Mutiso  |  | 40,000 |
|  Kivitu |  | 60,000 |
| Current A/C: |  |  |
|  Mutiso  | 4,200 |  |
|  Kivitu  |  | 6,500 |
| Provision for bad debts  |  | 2,300 |
| Drawings: - Mutison | 5,800 |  |
| * Kivitu
 | 4,600 |  |
| Debtors and Creditors  | 40,000 | 18,200 |
| Discounts  | 3,500 | 4,700 |
| Motor expenses  | 2,600 |  |
| Bad debts  | 1,600 |  |
| Cash in hand  | 420 |  |
| Cash at bank | 3,500 |  |
| Premises  | 104,000 |  |
| Stationery  | 280 |  |
| Stock  | 48,000 |  |
| Salaries  | 5,800 |  |

Additional Information:

1. Stock at hand as at 31 December 2002 was 58,000
2. Stock of stationery at 31 December 2002 was shs. 120
3. Provisions for bad debts is to be adjusted to 5% of the debtors at the end of the year.
4. Kivitu paid sh.400 from his pocket for entertaining the firm’s customers on official business. No entry has been made in the book.
5. Allow 5% interest on capitals of the partners.
6. On 1st July 2002, a new van costing sh.12,000 was purchased on credit. No entries had been made in the books in respect of this transaction.
7. The motor vans are to be depreciated at 10% per annum on cost, and furniture at 5% per annum on written down value.

**Required:**

1. Trading, profit and loss and appropriation account. (10 marks)
2. Partners’ current account. (5 marks)
3. Partners’ balance sheet as at 31 December 2002. (10 marks)

**QUESTION THREE (20 MARKS)**

1. Comment on the meaning and the practical application of the following accounting ratios:
2. Working capital
3. Gross profit turn over
4. Capital gearing ratio
5. Capital Employed turnover ratio (6 marks)
6. The following information has been extracted from the accounts of Maendeleo Corporation for the year ended 31st December 2000. Comparable figures for the previous year are also shown.

|  |  |  |
| --- | --- | --- |
| Details  | 2000 | 1999 |
|  | Sh “000” | Sh “000” |
| Sales  | 9,600 | 6,000 |
| Cost of goods sold  |  |  |
| Less Trading expenses  | 3,700 | 2,500 |
| Trading profit  |  |  |
| Less Debenture interest  | 2,050 | 1,150 |
| Net profit before taxation  |  |  |
| Less corporation tax | 1,975 | 1,975 |
| Net profit after tax  |  |  |
| Less Ordinary share dividends  | 1,015 | 595 |
| Undistributed profit for the year. |  |  |
|  | 490 | 220 |

Balance Sheet as at 31st December

|  |  |  |
| --- | --- | --- |
|  | 2000 |  1999 |
|  |  Sh “000” |  Sh “000” |
| Assets employed  |  |  |  |  |
| Fixed assets at cost  | 3,700 |  | 2,700 |  |
| Less Depreciation |  |  |  |  |
|  |  |  |  |  |
| Current assets  |  |  |  |  |
|  Sales  | 1,650 |  | 1,200 |  |
|  Debtors  | 1,050 |  | 750 |  |
|  |  |  |  |  |
|  | 5,650 |  | 4,390 |  |
| Less Current liabilities  |  |  |  |  |
| Creditors  | 600 |  | 435 |  |
| Taxation  | 960 |  | 480 |  |
| Proposed dividend  | 525 |  | 375 |  |
| Bank overdrafts  | 195 |  | - |  |
|  Net assets  |  |  |  |  |
|  | 3,370 |  | 3,100 |  |
| Financed by |  |  |  |  |
| Ordinary share capital  | 1,500 |  | 1,500 |  |
| Authorized, Issued and fully paid Sh 20 per share  | 1,340 |  | 850 |  |
| Undistributed profits  | 2,840 |  | 2,350 |  |
| Long term loan  |  |  |  |  |
| 10% debentures secured  | 530 |  | 750 |  |
| Capital employed  |  |  |  |  |

Required:

1. Calculate six accounting ratios for both 1999 and 2000 which you feel will be of significant value in assessing the profitability, performance and liquidity position of Maendeleo Corporation.
2. Comment on two liquidity ratios you have calculated in (a) above. (14 marks)

**QUESTION FOUR (20 MARKS)**

Jameni Young club makes up its account to 31 March each year. On 31 December 2004, the treasurer left the club premises and has not been seen since then. An examination of records showed that the books had not been written up for considerable time, and it was decided to reconstruct the figures from 1st Jan 2004.

A summary of the bank account for the year showed the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  | £ |  | £ |
| Balance 1 Jan. 2004 | 416 | Rents & rates  | 460 |
| Bank deposit  | 42,610 | Insurance  | 39 |
|  |  | Light & heat  | 156 |
|  |  | Bar purchases  | 35,067 |
|  |  | Telephone  | 59 |
|  |  | Cash withdrawn  | 5,848 |
|  |  | Balance 31 Dec. 2005 | 1,397 |
|  |  |  |  |

The following information is also obtained:

1. Bar man places the taking in the bank night safe on his way home for crediting to the club account. The duplicate pay in slip total £40,612 for the year. The treasurer had no access to bar takings or stock.
2. The receipt counterfoils for members’ subscriptions total £3,050 for the year.
3. A summary of expenditure for petty cash & wages was as follows:

|  |  |
| --- | --- |
|  | £ |
| Glasses, crockery and maintenance  | 1,310 |
| Wages  | 2,658 |
| National Insurance  | 210 |
| Sundry expenses  | 257 |

1. Outstanding amount and pre-payments as at 31 December 2004 were as follows:

|  |  |  |
| --- | --- | --- |
|  | 2003 | 2004 |
|  | £ | £ |
| Rates prepaid  | 26 | 28 |
| Rent outstanding  | 41 | 82 |
| Electricity outstanding  | 22 | 18 |

1. Bar stock on 1 January 2004 was £2,916.

**Required:**

1. A summary of the cash position for the year ended 31 December 2004. (7 marks)
2. Income and expenditure account for the year ended 31st December 2004. (10 marks)
3. What are the differences between account of profit making organization and that of non-profit making organization? (8 marks)

**QUESTION FIVE (20 MARKS)**

1. Describe how the following differ from each other:
2. Balance sheet and statement of affairs.
3. Accumulated fund and capital
4. Debtors control account and creditors control account. (9 marks)
5. In absence of a written agreement (partnership deed), what are the provisions of the partnership act when it comes to sharing of profit and drawings. (6 marks)
6. Describe qualities of good accounting information. (5 marks)