



MURANG'A UNIVERSITY COLLEGE

(A Constituent College of Jomo Kenyatta University of Agriculture and Technology)

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

MAIN CAMPUS

UNIVERSITY EXAMINATIONS

ORDINARY EXAMINATIONS

2014/2015 ACADEMIC YEAR

YEAR TWO SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT (DBM)

COURSE CODE: DAB 1211

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 19TH AUGUST 2015

TIME: 2 HOURS

INSTRUCTIONS TO THE CANDIDATES

THIS PAPER CONSIST OF FOUR QUESTIONS

Question one (1) is Compulsory

Answer Any Other Two (2) Questions

MRUC observes ZERO tolerance to examination irregularities

This paper consists of 5 printed pages. Please turn over. ⇨

QUESTION ONE

- (a) Explain the purposes for which control accounts are prepared. (3 marks)
(b) The balances and transactions affecting the control accounts of Kopesha Ltd. for the month of November 1997 are listed below:-

	Sh.	
Balances on 1 November 1997:		
Sales ledger	9,123,000	(debit)
	211,000	(credit)
Purchases ledger	4,490,000	(credit)
	88,000	(debit)
Transactions during November 1997:		
Purchases on credit	18,135,000	
Allowances from suppliers	629,000	
Receipts from customers by cheques	27,370,000	
Sale on credit	36,755,000	
Discount received	1,105,000	
Payments to creditors by cheques	15,413,000	
Contra settlements	3,046,000	
Bills of exchange receivable	6,506,000	
Allowances to customers	1,720,000	
Customers cheques dishonored	489,000	
Cash received from credit customers	4,201,000	
Refunds to customers for overpayments	53,000	
Discounts allowed	732,000	
Balances on 30 November 1997		
Sales ledger	136,000	(credit)
Purchases ledger	67,000	(debit)

Required:

The sales ledger and purchases ledger control accounts for the month of November 1997 and show the respective debit and credit closing balances on 30 November 1997.

(17 marks)

(Total: 20 marks)

QUESTION TWO

The following is the receipts and payments account of the Friendship Club for the year ended 31 December 19X1:

	£		£
Balance at bank			
31 December 19X0	102	Bar purchases	4,434
Entrance fees	42	Wages	416
Subscriptions:	25	Rent	186
19X0			
19X1	305	Heating and lighting	128
19X2	35	Postage and stationery	33
Bar Sales	5,227	Insurance	18

Sale of investments	750	General expenses	46
		Payments on account of new furniture	450
		Balance at bank, 31 December 19X1	<u>775</u>
	<u>6,486</u>		<u>6,486</u>

The following information is also supplied:

(1)	31 December 19X0	31 December 19X1
	Bar stock, at cost	315
	Creditors for bar purchases	358
	Rent due	36
	Heating and lighting expenses due	19
	Subscriptions due	40
	Insurance paid in advance	7
2)	On 31 December 19X0, the club held investments which cost £500. During the year ended 31 December 19X1, these were sold for £750.	
3)	Furniture was valued at £300 on 31 December 19X0. On June 19X1, the club purchased additional furniture at a cost of £520. Depreciation of all furniture is to be provided for at the rate of 10% per annum.	

Required:

- (a) Prepare an income and expenditure account for the year ended 31 December 19X1.
 (b) Prepare a balance sheet at that date. **(20marks)**

QUESTION THREE

J Spratt is the proprietor of a shop selling books, periodicals, newspapers and children's games and toys. For the purposes of his accounts, he wishes the business to be divided into two departments:

Department A Books, periodicals and newspapers
 Department B Games, toys and fancy goods.

The following balances have been extracted from his nominal ledger at 31 March 19X9:

	Dr	Cr
Sales Department A		15,000
Sales Department B		10,000
Stocks Department A, 1 April 19X8	250	
Stocks Department B, 1 April 19x8	200	
Purchases Department A	11,800	
Purchases Department B	8,200	

Wages of sales assistants Department A	1,000	
Wages of sales assistants Department B	750	
Newspaper delivery wages	150	
General office salaries	750	
Rates	130	
Fire insurance – buildings	50	
Lighting and air conditioning	120	
Repairs to premises	25	
Internal telephone	25	
Cleaning	30	
Accountancy and audit charges	120	
General office expenses	<u>60</u>	
	<u>25,000</u>	<u>25,000</u>

Stocks at 31 March 19X9 were valued at:

Department A £300
Department B £150

The proportion of the total floor area occupied by each department was:

Department A one fifth
Department B four-fifths

The apportionment should be made by using the methods as shown:

Area - Rates, Fire insurance, Lighting and air conditioning, Repairs, Telephone, Cleaning:

Turnover -General office salaries, Accountancy, General office expenses.

Required :

Prepare J Spratt's trading and profit and loss account for the year ended 31 March 19X9, apportioning the overhead expenses, where necessary, to show the Department profit or loss.

(20marks)

QUESTION FOUR

The following list of balances as at 30 September 19X9 has been extracted from the books of Brick and Stone, trading partnership, sharing the balance of profits and losses in the proportions 3:2 respectively.

	£
Printing, stationery and postage	3,500
Sales	322,100
Stock in hand at 1 October 19X8	23,000
Purchases	208,200
Rent and rates	10,300
Staff salaries	36,100

Telephone charges	2,900	
Motor vehicle running costs	5,620	
Discounts allowable	950	
Discount receivable	370	
Sales returns	2,100	
Purchases returns	6,100	
Carriage inwards	1,700	
Carriage outwards	2,400	
Fixtures and fittings: at cost	26,000	
Provision for depreciation	11,200	
Motor vehicles: at cost	46,000	
Provision for depreciation	25,000	
Provision for doubtful debts	300	
Drawings: Brick	24,000	
Stone	11,000	
Current account balances		
At 1 October 19X8:		
Brick	3,600	credit
Stone	2,400	credit
Capital account balances		
At 1 October 19X8:		
Brick		33,000
Stone		17,000
Debtors		9,300
Creditors		8,400
Balance at bank		7,700

Additional information

- £10,000 is to be transferred from Brick's capital account to a newly opened Brick Loan Account on 1 July 19X9.
- Interest at 10 per cent per annum on the loan is to be credited to Brick.
- Stone is to be credited with a salary at the rate of £12,000 per annum from 1 April 19X9.
- Stock in hand at 30 September 19X9 has been valued at cost at £32,000.
- Telephone charges accrued due at 30 September 19X9 amounted to £400 and rent of £600 prepaid at that date.
- During the year ended 30 September 19X9 Stone has taken goods costing £1,000 for his own use.
- Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%

Required:

- Prepare a trading and profit loss account for the year ended 30 September 19X9.
- Prepare a balance sheet as at 30 September 19X9 which should include summaries of the partners' capital and current accounts for the year ended on that date.

TOTAL MARKS: (20 MARKS)