



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

2015/2016 ACADEMIC YEAR

YEAR TWO SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT (DBM)

COURSE CODE: DAB 1211

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 25TH APRIL 2016

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 following terms as used in company accounts;

- Authorized share capital
- Issued share capital
- Paid up share capital
- Bonus shares
- Rights issue

(5marks)

b) The Following Trial Balance Was Extracted From The Books Of Collins Ltd At 31 December 2015

	£	£
Share capital authorized and issued:		
80,000 ordinary shares of £1 each		80,000
Freehold premises at cost	59,000	
Motor vans		
Balance 1 January 2015 at cost	15,000	
Additions less sale proceeds	650	
Provisions for depreciation of motor vans to 31 December 2014		6,750
Stock in trade 31 December 2014	13,930	
Balance at bank	6,615	
Provision for doubtful debts 31 December 2014		275
Trade debtors and creditors	12,395	11,380
Directors' remuneration	4,000	
Wages and salaries	13,127	
Motor and delivery expenses	3,258	
Rates	700	
Purchases	108,440	
Sales		142,770
Legal expenses	644	
General expenses	5,846	
Profit and loss account: balance at 31 December 2014	243,605	243,605

You are given the following information.

- i. Stock in trade, 31 December 2015, £14,600.
- ii. Rates paid in advance, 31 December 2015, £140.
- iii. Debts of £1,075 to be written off and the provision to be increased to £350.
- iv. On 1 January 2015, a motor van which had cost £680 was sold for £125.
- v. Depreciation provided for this van up to 31 December 2015 was £475.
- vi. Provide for depreciation of motor vans (including additions) at 20% of cost.
- vii. The balance on legal expenses account included £380 in connection with the purchase of one of the freehold properties.
- viii. The directors have decided to recommend a dividend of 5%.

Required:

With particular emphasis on presentation, prepare a trading and profit and loss account for the year 2015, and a balance sheet at 31 December 2015, ignoring taxation. **(20 marks)**

c) Distinguish between unlimited partnership and limited companies giving examples in each **(5marks)**

TOTAL (30MARKS)

QUESTION TWO

Shah Outfitters operates a business that is divided into two departments:

Department A Ladies wear

Department B Men's wear

The following information was extracted from his books for the period ended 31st December 2012.

	Dr. (ksh)	Cr. (ksh)
Sales Department A		120,000
Sales Department B		120,000
Stocks Department A 1-1-2012	38,500	
Stocks Department B 1-1-2012	57,300	
Purchasing Department A	43,600	
Purchasing Department B	45,000	
Wages of sales assistants Department A	6,000	
Wages of sales assistants Department B	12,000	
General office salaries	9,000	
Rates	3,300	
Fire insurance	2,700	
Repairs to premises	1,800	
Cleaning	1,500	
Accountancy and audit charges	6,300	
General office expenses	2,400	

Stocks at 31st December 2012 were valued at:

Department A 12,300

Department B 22,400

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

Department A 1/3

Department B 2/3

For the purpose of costing for each department, the apportionments of expenses were based on:

Floor area:

1. Rates
2. Fire insurance
3. Repairs to premises
4. Cleaning

Sales turnover:

1. General office salaries
2. Accountancy and audit charges
3. General office expenses

Required:

Apportion the expenses where necessary, and prepare the trading profit and loss account for each department.

(20marks)

QUESTION THREE

Mack and Spencer are in partnership sharing profits and losses equally. The following is the trial balance as at 30 June 2013.

	Dr. £	Cr. £
Buildings (cost £750,000)	500,000	
Fixtures at cost	110,000	
Provision for depreciation: Fixtures		33,000
Debtors	162,430	
Creditors		111,500
Cash at bank	6,770	
Stock at 30 June 2013	419,790	
Sales		1,236,500
Purchases	854,160	
Carriage outwards	12,880	
Discount allowed	1,150	
Loan interest: King	40,000	
Office expenses	24,160	
Salaries and wages	189,170	
Bad debts	5,030	
Provision for bad debts		4,000
Loan from J King		400,000
Capitals: Mack		350,000
Spencer		290,000
Current accounts: Mack		13,060
Spencer		2,890
Drawings: Mack	64,000	
Spencer	56,500	
	<u>2,446,040</u>	<u>2,446,040</u>

Additional information:

- Stock, 30 June 2014, £563,400
- Expenses to be accrued: Office Expenses £960; Wages £2,000
- Depreciate fixtures 10 per cent on reducing balance basis, buildings £10,000
- Reduce provision for bad debts to £3,200.
- Partnership salary: £8,000 to Mack. Not yet entered
- Interest on drawings: Mack£1,800; Spencer £1,200.
- Interest on capital account balances at 10 per cent.

Required:

Prepare a trading and profit and loss appropriation account for the year ended 30 June 2014 and a balance sheet as at that date.

(Total: 20marks)

QUESTION FOUR

- (a) Explain the purposes for which control accounts are prepared. **(3 marks)**
- (b) The balances and transactions affecting the control accounts of XYZ Ltd. for the month of November 2015 are listed below:-

	Sh.	
Balances on 1 November 2015:		
Sales ledger	9,123,000	(debit)
	211,000	(credit)
Purchases ledger	4,490,000	(credit)
	88,000	(debit)
Transactions during November 2015:		
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 2015		
Sales ledger	136,000	(credit)
Purchases ledger	67,000	(debit)

Required:

The sales ledger and purchases ledger control accounts for the month of November 2015 and show the respective debit and credit closing balances on 30 November 2015.

(17 marks)

(Total: 20Marks)

THE END.....