

- a) Management accounting is closely related to Financial Accounting in that they share the sources of information. However, there are certain fundamental differences. Explain five differences (5marks)
- b) Highlight 7 basic steps in decision making process. (7marks)
- c) Distinguish between the following types of decisions. (6marks)
- i) Personal and organizational decisions
 - ii) Basic and routine decisions
 - iii) Programmed and non-programmed decisions
- d) The following data relates to machine hours and monthly cost of a milling factory in Western Province.

<u>Month</u>	<u>Machine hours</u>	<u>Monthly cost (Ksh.)</u>
January	250	5,000
February	280	5,200
March	300	5,300
April	340	5,700
May	400	6,100
June	500	7,100
July	700	8,500
August	900	10,100
September	1000	11,000
October	600	7,800
November	300	5,300
December	260	5,100

Using least squares method of analyzing cost;

- i) Identify the monthly fixed cost (5marks)
- ii) Identify the monthly variable cost (5marks)
- iii) Predict the total costs when machine hours are 1100 hours. (2marks)

QUESTION TWO

- a) Keko intends to borrow Ksh 1,000,000 to finance either project X and Y. The annual interest payable is 18%. The following are the expected cash inflows for each of the two projects.

Year	Project X (Ksh)	Project Y (Ksh)
1	800,000	700,000
2	400,000	600,000
3	300,000	400,000
4	700,000	600,000
5	200,000	300,000

- i) Calculate the net present value (NPV) for each project (10marks)
 - ii) Advise the management on the project to invest in. (2marks)
- b) Explain four assumptions of a linear programming model (8marks)

Please turn over.

QUESTION THREE

- a) Watamu Ltd is a retailer beer barrels. The company has an annual demand of Ksh. 1,200 each. Fresh supplies can be obtained immediately but ordering costs and the cost of carriage inwards are Ksh.2, 000 per order. The annual cost of holding one barrel in stock is estimated to be Ksh.12.

Determine the;

- i) Economic order quantity (EOQ) (3marks)
ii) Annual total cost. (3marks)
- b) The following is obtained from XYZ limited for the first quarter 2012.

Sales	Ksh.1, 000,000
Variable costs	300,000
Fixed costs	150,000

- i) Calculate the B.E.P (Break Even point) in shillings and the Margin of safety. (10marks)
- ii) Determine how much sales would lead to a desired profit of Ksh.100, 000. (2marks)

QUESTION FOUR

- a) Mega Limited manufactures two products M and N which passes through processes A and B .The maximum time available in process A and B is 250 and 190 hours respectively. The contribution per unit of each product in each product is Ksh.10 and Ksh.16. The time required by one unit of each product in each process is as follows:

PRODUCT	TIME (Hours)	
	Process A	Process B
M	2	3
N	3	1

- i) Formulate a linear programming model (4marks)
ii) Find the monthly contribution that maximizes contribution (6marks)
- b) Explain five steps that are involved in capital budgeting. (10marks)

THE END.....



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ORDINARY

2014/2015 ACADEMIC YEAR

YEAR TWO SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT (DBM)

COURSE CODE: DAB 1211

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 22ND APRIL 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

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QUESTION ONE

- a) The following balances remained in the books of Zimmer-kenya Ltd. as at 30 April 2012 after the preparation of the trading account:

	Sh.
Share capital, authorized and issued:	
2,400,000 Sh. 20 ordinary shares	48,000,000
800,000 8% Sh. 20 preference shares	16,000,000
Stock – 30 April 2012	33,540,000
Accounts receivable and prepayments	10,880,000
Accounts payable and accruals	5,488,800
Balance at bank	3,118,400
10% debentures	6,400,000
General reserve	11,200,000
Bad debts	136,000
Gross profit for the year	32,603,200
Salaries and wages	11,280,000
Rates and insurance	564,000
Postage and telephone	248,000
Water and electricity	486,400
Debenture interest	320,000
Directors' fees	1,000,000
General expenses	1,243,200
Motor vehicles (Cost Sh. 11,640,000)	2,720,000
Office fittings and equipment (Cost Sh. 17,856,000)	10,976,000
Land and buildings at cost	52,880,000
Profit and loss account – 1 May 2011	9,700,000

Additional information:

1. A bill for Sh. 219,200 in respect of electricity for the period up to 30 April 2012 has not been accrued.
2. The amount for insurance includes a premium of Sh. 120,000 paid in January 2012 to cover the company for six months, February to July, 2012.
3. Office fittings and equipment are to be depreciated at 15% per annum on cost and motor vehicles at 20% per annum on cost.
4. Provision is to be made for:

Directors' fees	-	Sh. 2,000,000
Audit fee	-	Sh. 480,000

The outstanding debenture interest.
5. The directors have recommended that:
 - A sum of Sh. 4,800,000 be transferred to general reserve.
 - The preference dividend be paid.
 - A 10% ordinary dividend be paid.

Required:

- (i) Income statement for the year ended 30 April 2012. (10marks)
- (ii) Balance sheet as at 30 April 2012. (10marks)
 - b) Distinguish between capital and revenue expenditure (10marks)

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

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
(10marks)
- 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. (10marks)

Note: In both (a) and (b) vertical forms of presentation should be used.

Please turn over

QUESTION FOUR

- a) Explain the purposes for which control accounts are prepared in a business organization. (3marks)
- b) XML Ltd maintains control accounts in its business records. The balances and transactions relating to the company's control accounts for the month of December 2014 are listed below:

Balance at 1 December 2014:		
Sales ledger	6,185,000	(debit)
	52,500	(credit)
Purchases ledger	16,500	(debit)
	4,285,000	(credit)
Transactions during December 2014:		
Sales on credit	8,452,000	
Purchases on credit	5,687,500	
Returns inwards	203,500	
Returns outwards	284,000	
Bills of exchange payable	930,000	
Bills of exchange receivable	615,000	
Cheques received from customers	7,985,000	
Cheques paid to suppliers	4,732,000	
Cash paid to suppliers	88,500	
Bill payable dishonoured	400,000	
Charges on bill payable dishonoured	10,000	
Cash received from credit customers	153,000	
Bad debts written off	64,500	
Cash discounts allowed	302,000	
Bill receivable dishonoured	88,500	
Balances at 31 December 2014:		
Sales ledger	44,000	(credit)
Purchases ledger	23,500	(debit)

Required:

Post the sales ledger and the purchases ledger control accounts for the month of December 2014 and derive the respective debit and credit closing balances on 31 December 2014.

(17 marks)



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2014/2015 ACADEMIC YEAR

YEAR ONE SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT (DBM)

COURSE CODE: DAB 1111

COURSE TITLE: FINANCIAL ACCOUNTING

DATE:

TIME:

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Question one (1) is Compulsory

Answer Any Other Two (2) Questions

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QUESTION ONE

- a) Explain five qualities of a good financial accounting statement. (5marks)
- b) Discuss any five objectives of financial accounting. (5marks)
- c) Differentiate between financial accounting and cost and management accounting. (10marks)
- d) Define the term 'accounting standards' and briefly state their purpose. (5marks)
- e) Define source documents and explain any four source documents used in recording business transactions. (5marks)

QUESTION TWO

- a) Enter the following transactions in their appropriate accounts to complete a double entry in the books of Siakago traders for the month of may 2014.
 - i) May 1st Started business with Ksh 20, 000 in the bank.
 - ii) May 2nd Purchased goods Ksh 1, 750 on credit from Mueni.
 - iii) May 3rd Bought fixtures and fittings Ksh 1, 500 paying by cheque.
 - iv) May 5th Sold goods for cash Ksh 2, 750.
 - v) May 6th Bought goods on credit Ksh 1, 140 from Waita.
 - vi) May 10th Paid rent by cash Ksh 150.
 - vii) May 12th Bought stationery Ksh 270, paying by cash.
 - viii) May 18th Goods returned to Mueni Ksh 230.
 - ix) May 21st let off part of premises receiving rent by cheque Ksh 5, 000.
 - x) May 23rd Sold goods on credit to Koech for Ksh 770.
 - xi) May 30th Paid the month's wages by cash Ksh 1, 170
 - xii) May 31st The proprietor took cash for his own personal use Ksh 440.(6marks)
- b) Close the above accounts and prepare a trial balance. (12marks)
- c) Highlight the pertinent data that should be provided in a statement of financial position. (2marks)

QUESTION THREE

- a) Draw up a sales daybook from the following details.
 - Mar 1st Credit sales to J Gordon Ksh.1, 870.
 - Mar 3rd Credit sales to G Abrahams Ksh.1, 660.
 - Mar 6th Credit sales to V White Ksh.120.
 - Mar 10th Credit sales to J Gordon Ksh.550.
 - Mar 17th Credit sales to F Williams Ksh.2, 890.
 - Mar 19th Credit sales to U Richards Ksh.660.
 - Mar 27th Credit sales to V Wood Ksh.280.
 - Mar 31st Credit sales to L Simes Ksh.780.(4marks)
- b) From the above information (3 a) post the items to the relevant accounts in the sales ledger. (4marks)

- c) Transfer the information in (b) above to the sales account in the General Ledger. (2marks)
- d) Explain any five types of accounting errors. (5marks)
- e) Explain five reasons for preparing control accounts. (5marks)

QUESTION FOUR

The following information relates to a cash book of Ole Maloe trading stores that for month of December 2012, and bank statement of the same month.

Cash Book			
Dr.			Cr.
Dec 1 st Balance b/d	17,400	Dec 8 th A Dailey	3,490
„ 7 th T J Masters	880	„ 15 th R Mason	330
„ 22 nd J Ellis	730	„ 28 th G Small	115
„ 31 st K Wood	2,490	„ 31 st Balance c/d	18,310
„ 31 st M Barrett	<u>1,780</u>		
	<u>23,280</u>		<u>23,280</u>

Bank Statement			
	Dr.	Cr.	Balance
Ksh.		Ksh.	Ksh.
Dec 1 st Balance b/d			17,400
„ 7 th Cheque		880	18,280
„ 11 th A Dailey	3,490		14,790
„ 20 th R Mason	330		14,460
„ 22 nd Cheque		730	15,190
„ 31 st Credit transfer: J Walters		540	15,730
„ 31 st Bank charges	220		15,510

- Required: i) Prepare a cash book up to date (updated cash book) and show the new balance as on 31st December 2012. (10marks)
- ii) Prepare a bank reconciliation statement as on 31st December 2012 (10marks)



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2014/2015 ACADEMIC YEAR

YEAR ONE SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT (DBM)

COURSE CODE: DIB 1111

COURSE TITLE: QUANTITATIVE TECHNIQUES

DATE: 23RD APRIL 2015

TIME: 2 HOURS

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QUESTION ONE

- a) Explain four roles of Quantitative Methods in any business enterprise. (5marks)
- b) Discuss four areas where Quantitative Methods are used. (4marks)
- c) Solve the following inequalities and show all the integral values of the solution on a number line.
- i) $\frac{1}{2}x - 2 \leq 1$ (3marks)
 $-3x - 9 > -6$
- ii) $3x - 1 > -4$ (3marks)
 $2x + 1 \leq 7$
- iii) $3x - 2 \leq -4 < -2x$ (3marks)
- d) Evaluate $\lim_{x \rightarrow 2} x^2 - 4 \div x^2 - 5x + 6$ where $x \rightarrow 2$ (4marks)
- e) Calculate gradient, x and y intercept of a line that passes through (2,6) and (6,14) (5marks)
- f) Sketch the graph of the following equations.
- i) $y = -5 + 6$
- ii) $3x + 6y = 12$ (6marks)

QUESTION TWO

- a) Given $f(x) = x^3 - 3x^2 + 2x + 10$ find;
- i. $f(0)$
- ii. $f(1)$
- iii. $f(2)$
- iv. $f(3)$
- v. $f(-2)$ (5marks)
- b) Explain the following types of sets
- i) Universal sets
- ii) Sub-set
- iii) Null set
- iv) Compliment of a set
- v) Disjoint sets (5marks)
- c) A survey was carried out by a local chamber of commerce. One of the aims being to discover to what extent computers were being used by the firms in the industry. The following were the findings;
- 32 firms had both stock control & payroll computers.
- 65 firms had one of these two functions computerized.
- 90 firms had computerized payroll.
- 22 firms had neither of these two functions computerized.
- Use set theory to elucidate how many firms were included in the survey. (10marks)

QUESTION THREE

- a) A manufacturer has found that if he wants to increase his output he must lower his price. His total revenue (R) from output x is given by the expression $R = x(148 - x)$ while his production costs are £ 1,000 fixed and £ 36 per unit variable and the total cost $C = 1,000 + 36x$

- i) Find the output that would maximize revenue. (3marks)
- ii) The maximum revenue (3marks)
- iii) The profit P in terms of the number of units x (3marks)
- iv) The output x, that would maximize profit. (3marks)

b) Solve the values of the unknowns from the following problem using inverse method.

(i) $2x_1 + 3x_2 = 7$

$x_1 + 5x_2 = 14$

(ii) $5x + 9y = -30$

$6x + 2y = 28$

(8marks)

QUESTION FOUR

- a) Compute the present value of an annuity of £1000 p.a received for 10years when the discount rate is 8%. (3marks)
- b) Calculate the present value of £16000 received in 10 years time with a discount rate of 12% (3marks)
- c) How much will £6000 amount to at 12% compound interest over 6 years? (4marks)
- d) Compute the value of the 10th term and the sum of first 12 terms of the A.P 4, 9, 14, 19... (4marks)
- e) Compute the value of 11th term and the sum of the first 20 terms of the G.P 2, 4, 8, 16... (4marks)
- f) Distinguish between simple interest and compound interest. (2marks)



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ORDINARY

2014/2015 ACADEMIC YEAR

YEAR ONE SEMESTER TWO EXAMINATIONS

DIPLOMA IN COOPERATIVE MANAGEMENT (DCM)

COURSE CODE: BS 1106

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 20TH APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS TO THE CANDIDATES

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Answer Any Other Two (2) Questions

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QUESTION ONE

- a) Discuss different causes of depreciation giving example in each. (8marks)
b) A company starts in business on 1 January 1999, the financial year end being 31 December.

You are to show:

- a. The plant account.
b. The provision for depreciation account.
c. The balance sheet extracts for each of the years 1999, 2000, 2001, 2002.

The machinery bought was:

1999	1 January	1 plant costing £8,000
2000	1 July	2 plant costing £5,000 each
	1 October	1 plant costing £6,000
2002	1 April	1 plant costing £2,000

Depreciation is at the rate of 10 per cent per annum, using the straight-line method, plant being depreciated for each proportion of a year. (22marks)

QUESTION TWO

- a) Briefly explain the nature and purpose of accounting for depreciation. (5marks)
b) The chief accountant of Jitegemea Ltd has encountered difficulties while accounting for fixed assets and the related depreciation in the company's draft accounts for the year ended 30 April 2000. He has decided to seek your professional advice and presented the following balances of fixed assets as at 1 May 1999:

	Acquisition Cost Sh.	Accumulated Depreciation Sh.	Depreciation Rates %
Furniture	900,000	300,000	12.5
Trucks	3,525,000	1,470,000	25
Plant and machinery	7,387,500	4,462,500	10
Land	2,775,000	-	Nil
Buildings	2,925,000	292,500	2.5

The following additional information was also available:

1. It is the company's policy to write off cost of the assets using above percentages on cost.
2. Depreciation is fully charged in the year of acquisition and none in the year of disposal.
3. A three year old machine acquired for sh.187, 500 was sold for sh.15,750.
4. It has been decided to adjust and charge depreciation on buildings at 4%.
5. A used delivery truck purchased three years ago for sh.248, 250 was traded in during the year at a value of sh.157, 500 in part exchange of the new delivery truck costing sh.450,000.
6. Land, buildings and machinery were acquired for sh.1, 350,000 from a company that went out of business. At the time of acquisition sh.90, 000 was paid to have the assets revalued by a professionally qualified valuer. The revaluation indicated the following market values.

	Sh.
Land	900,000
Buildings	600,000
Machinery	300,000

Required:

A schedule of movement of fixed assets as requested by the Chief Accountant for inclusion in the company's accounts for the year ended 30 April 2000. (15 marks)

The following trial balance has been extracted from the ledger of Herbert Howell, a sole trader, as at 31 May 20X9, the end of his most recent financial year.

QUESTION THREE**Herbert Howell****Trial Balance As At 31 May 20x9**

	Dr £	Cr £
Property at cost	90,000	
Equipment at cost	57,500	
Provision for depreciation (as at 1 June 20X8)		
Property		12,500
Equipment		32,500
Stock as at 1 June 20X8	27,400	
Purchases	259,600	
Sales		405,000
Discounts allowed	3,370	
Discounts received		4,420
Wages and salaries	52,360	
Bad debts	1,720	
Loan interest	1,560	
Carriage out	5,310	
Other operating expenses	38,800	
Trade debtors	46,200	
Trade creditors		33,600
Provision for bad debts		280
Cash on hand	151	
Bank overdraft		14,500
Drawings	28,930	
13% loan		12,000
Capital, as at 1 June 20X8		<u>98,101</u>
	<u>612,901</u>	<u>612,901</u>

The following additional information as at 31 May 20X9 is available:

- (a) Stock as at the close of business was valued at £25,900.
 (b) Depreciation for the year ended 31 May 20X9 has yet to be provided as follows:

Property - 1% using the straight-line method
 Equipment - 15% using the straight-line method

- (c) Wages and salaries are accrued by £140.
 (d) Other operating expenses include certain expenses prepaid by £500. Other expenses included under this heading are accrued by £200.
 (e) The provision for bad debts is to be adjusted so that it is 0.5% of trade debtors as at 31 May 20X9.
 (f) Purchases include goods valued at £1,040, which were withdrawn by Mr Howell for his own personal use.

Required:

Prepare Mr. Howell's trading and profit and loss account for the year ended 31 May 20X9 and his balance sheet as at 31 May 20X9.

(20 marks)

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

8. £10,000 is to be transferred from Brick's capital account to a newly opened Brick Loan Account on 1 July 19X9.
9. Interest at 10 per cent per annum on the loan is to be credited to Brick.
10. Stone is to be credited with a salary at the rate of £12,000 per annum from 1 April 19X9.
11. Stock in hand at 30 September 19X9 has been valued at cost at £32,000.
12. Telephone charges accrued due at 30 September 19X9 amounted to £400 and rent of £600 prepaid at that date.

13. During the year ended 30 September 19X9 Stone has taken goods costing £1,000 for his own use.

14. Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%

Required:

- (a) Prepare a trading and profit loss account for the year ended 30 September 19X9.
- (b) 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.

(20marks)



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2014/2015 ACADEMIC YEAR

YEAR TWO SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT (DBM)

COURSE CODE: DAB 1212

COURSE TITLE: MANAGERIAL ACCOUNTING

DATE:

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QUESTION ONE

- a) Management accounting is closely related to Financial Accounting in that they share the sources of information. Explain five similarities. (5marks)
- b) Highlight 7 basic steps in decision making process. (7marks)
- c) Managers are found in all functional areas of an organization. Discuss the functional areas of management also referred to us as roles of management. (6marks)
- d) Shahada Ltd a manufactured company is in the process of preparing its budget for the upcoming production period. The following data relate to the company for the last six months of 2014.

Year	Month	Activity Level	Electricity expenses (Ksh. '000')
2014	July	800	2,100
2014	August	1200	3,400
2014	September	1100	3,200
2014	October	1600	4,200
2014	November	1500	4,000
2014	December	1800	4,600

- i) Estimate the fixed and variable elements of the electricity expense using the least squares method; (10marks)
- ii) Determine the electricity expense for January 2015 if the activity level is expected to be 1,900 hours. (2marks)

QUESTION TWO

- a) Nzewani Ltd has the following data in respect of its major raw materials.

	Units per week
Maximum consumption	4,800
Normal consumption	3,600
Minimum consumption	2,400
Re-order period	4-6 weeks
Re-order quantity	24,000 units

- Calculate the;
- i) Re-order level (4marks)
 - ii) Minimum stock level (4marks)

- b) The following details relate to a product manufactured and sold by Mwito Ltd.

Variable cost per unit Ksh 30

Selling price per unit Ksh 40

For the forthcoming year the budgeted fixed costs are expected to be Ksh. 70,000 while the budgeted sales are 8,000 units.

Determine;

- i) Break-even point in units and in shillings. (4marks)
- ii) Margin of safety in units and in shillings (4marks)
- iii) Units to be produced and sold to realize a profit of Ksh.30,000 (4marks)

Please turn over 

QUESTION THREE

- a) Kuweka wholesalers Ltd has a cost of capital of 15% and has a limit of Ksh 100,000 available for investment in the current period. It is expected that capital will be freely available in the future. The investment required, the NPV at 15% and the EVPI for each of the six (6) projects currently being considered are shown below.

Projects	outlay	NPV@15%	EVPI
A	20,000	8,000	0.4
B	40,000	28,000	0.7
C	35,000	37,000	1.07
D	50,000	31,500	0.63
E	15,000	3,500	0.23
F	45,000	-5,000	-0.11

Assuming that projects B and D are mutually exclusive, what projects should be initiated.

(20marks)

QUESTION FOUR

- a) Discuss five assumptions of linear programming.
b) Explain five assumptions of C.V.P analysis.

(10marks)

(10marks)



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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	272	315
Creditors for bar purchases	306	358
Rent due	18	36
Heating and lighting expenses due	16	19
Subscriptions due	25	40
Insurance paid in advance	5	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

15. £10,000 is to be transferred from Brick's capital account to a newly opened Brick Loan Account on 1 July 19X9.
16. Interest at 10 per cent per annum on the loan is to be credited to Brick.
17. Stone is to be credited with a salary at the rate of £12,000 per annum from 1 April 19X9.
18. Stock in hand at 30 September 19X9 has been valued at cost at £32,000.
19. Telephone charges accrued due at 30 September 19X9 amounted to £400 and rent of £600 prepaid at that date.
20. During the year ended 30 September 19X9 Stone has taken goods costing £1,000 for his own use.
21. Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%

Required:

- (a) Prepare a trading and profit loss account for the year ended 30 September 19X9.
- (b) 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.



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QUESTION ONE

The following trial balance has been extracted from the ledger of Herbert Howell, a sole trader, as at 31 May 20X9, the end of his most recent financial year.

Herbert Howell Trial Balance As At 31 May 20x9

	Dr £	Cr £
Property at cost	90,000	
Equipment at cost	57,500	
Provision for depreciation (as at 1 June 20X8)		
Property		12,500
Equipment		32,500
Stock as at 1 June 20X8	27,400	
Purchases	259,600	
Sales		405,000
Discounts allowed	3,370	
Discounts received		4,420
Wages and salaries	52,360	
Bad debts	1,720	
Loan interest	1,560	
Carriage out	5,310	
Other operating expenses	38,800	
Trade debtors	46,200	
Trade creditors		33,600
Provision for bad debts		280
Cash on hand	151	
Bank overdraft		14,500
Drawings	28,930	
13% loan		12,000
Capital, as at 1 June 20X8		<u>98,101</u>
	<u>612,901</u>	<u>612,901</u>

The following additional information as at 31 May 20X9 is available:

- (g) Stock as at the close of business was valued at £25,900.
- (h) Depreciation for the year ended 31 May 20X9 has yet to be provided as follows:

Property - 1% using the straight-line method
Equipment - 15% using the straight-line method

- (i) Wages and salaries are accrued by £140.
- (j) Other operating expenses include certain expenses prepaid by £500. Other expenses included under this heading are accrued by £200.
- (k) The provision for bad debts is to be adjusted so that it is 0.5% of trade debtors as at 31 May 20X9.
- (l) Purchases include goods valued at £1,040, which were withdrawn by Mr Howell for his own personal use.

Required:

Prepare Mr. Howell's trading and profit and loss account for the year ended 31 May 20X9 and his balance sheet as at 31 May 20X9.

(20 marks)

QUESTION TWO

- a) A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.

19x8

Mar	1	Balances brought forward: Cash £230; Bank £4,756.
“	2	The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton £140; E Taylor £220; R Harris £800.
“	4	Paid rent by cheque £120.
“	6	J Cotton lent us £1,000 paying by cheque.
“	8	We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black £360; P Towers £480; C Rowse £300.
“	10	Paid motor expenses in cash £44.
“	12	H Hankins pays his account of £77, by cheque £74, deducting £3 cash discount.
“	15	Paid wages in cash £160.
“	18	The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston £260; R Wilson & Son £340; H Winter £460.
“	21	Cash withdrawn from the bank £350 for business use.
“	24	Cash Drawings £120.
“	25	Paid T Briers his account of £140, by cash, deducting £7 cash discount.
“	29	Bought fixtures paying by cheque £650.
“	31	Received commission by cheque £88. (10marks)

- b) A cashier in a firm starts with £2,000 in the month of March (that is the cash float). In the following week, the following payments are made:

	£
1 st March – bought stamps for	80
2 nd March – paid bus fare for	120
2 nd March – cleaning materials	240
3 rd March – bought fuel	150
3 rd March – cleaning wages	300
4 th March – bought stamps	200
4 th March – paid L. Thompson (creditor)	400
5 th March – fuel costs	150

On the 5th of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

Required:

Prepare a detailed petty cash book showing the balance to be carried forward to the next period and the relevant expense accounts, as they would appear on the General Ledger.

(10marks)

QUESTION THREE

The following transactions took place during the month of May:

2003

May	1	Started firm with capital in cash of £250.
“	2	Bought goods on credit from the following persons: R Kelly £54; Pcombs £87; J Role £25; D Mobile £76; I. Sims £64.
“	4	Sold goods on credit to: C Blanes £43; B Long £62; F Skin £176.

- “ 6 Paid rent by cash £12.
- “ 9 C Blanes paid us his account by cheque £43.
- “ 10 F Skin paid us £150 by cheque.
- “ 12 We paid the following by cheque: J Role £25; R Kelley £54.
- “ 15 Paid carriage by cash £23.
- “ 18 Bought goods on credit from P Combs £43; Mobile £110.
- “ 21 Sold goods on credit to B Long £67.
- “ 31 Paid rent by cheque £18.

Required prepare the relevant accounts and a trial balance (20marks)

QUESTION FOUR

The following are extracts from the cashbook and the bank statement of J Richards. You are required to:

- a) Write the cashbook up to date, and state the new balance as on 31 December 2002, and
- b) Draw up a bank reconciliation statement as on 31 December 2002.

Cashbook					
2002	Dr	£	2002	Cr	£
Dec 1	Balance b/d	1,740	Dec 8	A Dailey	349
Dec 7	J Map	88	Dec 15	R Mason	33
Dec 22	J Cream	115	73	Dec 28	G Small
Dec 31	K Wood	249	Dec 31	Balance c/d	1,831
Dec 31	M Barrett	178			
		<u>2,328</u>			<u>2,328</u>

Bank Statement

2002	Dr	Cr	Balance
	£	£	£
Dec 1	Balance b/d		1,740
Dec 7	Cheque	88	1,828
Dec 11	A Dailey	349	1,479
Dec 20	R Mason	33	1,446
Dec 22	Cheque	73	1,519
Dec 31	Credit transfer: J Walters	54	1,573
Dec 31	Bank charges	22	1,551

(20marks)

THE END.....



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QUESTION ONE

- a) Differentiate the following functions
- i) $y=(2+x^2)(x^2)$ (3marks)
 - ii) $y=x^3-x^4$ (3marks)
- b) Find the values of x from the following quadratic equations $4x^2-x-3=0$ (3marks)
- c) Explain the following terms as used in equation.
- i) Unknown
 - ii) Coefficient
 - iii) Constant
 - iv) Index (6marks)
- d) Define the following terms as used in probability
- i) Random experiment
 - ii) Sample point
 - iii) Event
 - iv) Compound event
 - v) Complement of event (5marks)

QUESTION TWO

- a) In a survey of 100 members of a local consumer union. The number of members who attended the last three (3) month meetings is found to be as follows;

Month attended	Number of members
March only	10
March & May	20
March but not April	25
March	40
May	45
May & April	10
None of three month's meetings	25
All the three month's meetings	5

Required: calculate the proportion of members who attended;

- i) April meeting
 - ii) Two (2) consecutive meetings
 - iii) May but not April
 - iv) March and April but not May
 - v) April only (12marks)
- b) Evaluate the matrices below;

i) $A=2\begin{Bmatrix} 2 & 3 & 4 \\ 5 & 6 & 7 \\ 8 & 9 & 10 \end{Bmatrix}$ $B=3\begin{Bmatrix} -2 & 4 & 3 \\ 5 & 6 & 7 \\ -1 & 5 & -4 \end{Bmatrix}$ (4marks)

- ii) Using the above matrices solve for ;
 - a) $2A-3B$
 - b) $2A+3B$ (4marks)

Please turn over

QUESTION THREE

- a) A firm demand function is given by $P(x)=100-2x$ and its cost function is $C(x) =20x+3000$. Determine the optimum level of output for profit maximization. (6marks)
- b) Find the sum of the first n terms of the arithmetic sequence.
i) 8,20,32,44,.....; $n=10$
ii) -6,-2,2,6,..... $n=50$ (4marks)
- c) Find the sum of the first n terms of the geometric progression.
i) 8,16,32,64,.....; $n=10$
ii) 1,2,4,8,..... $n=50$ (4marks)
- d) Explain the following terms as used in matrix.
i) Equal matrix
ii) Column matrix
iii) Row matrix
iv) Square matrix
v) Diagonal matrix
vi) Transpose matrix (6marks)

QUESTION FOUR

- a) Compute the present value of an annuity of £500 p.a received for 10years when the discount rate is 8%. (4marks)
- b) Calculate the present value of £6000 received in 10 years time with a discount rate of 12% (4marks)
- c) How much will £8000 amount to at 12% compound interest over 6 years? (4marks)
- d) Compute the value of the 10th term and the sum of first 12 terms of the A.P 2, 7, 12, 17... (4marks)
- e) Compute the value of 11th term and the sum of the first 20 terms of the G.P 1, 2, 4, 8... (4marks)

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COURSE TITLE: FINANCIAL ACCOUNTING

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QUESTION ONE

Pentland Limited complies its financial statements for the year to 30 June each year.

At 1 July 1999 the company's balance sheet included the following figures:

1

	Cost	Accumulated Depreciation	Net book Value
	£000	£000	£000
Land	4,000	Nil	4,000
Buildings	2,200	800	1,400
Plant and machinery	1,600	600	1,000
Motor vehicles	600	200	400

Depreciation is charged at the following annual rates (all straight line):

Land	Nil
Buildings	2%
Plant and machinery	15%
Motor vehicles	20%

Appropriate depreciation charge is made in the year of purchase, sale or revaluation of an asset

During the year ended 30 June 2000 the following transactions took place:

- 1 January 2000 The company decided to adopt a policy of revaluing its buildings; and they were revalued to £3.4m.
- 1 January 2000 Plant which has cost £300,000 was sold for £50,000. Accumulated depreciation on this plant at 30 June 1999 amounted to £230,000. New plant was purchased at a cost of £400,000.
- 1 April 2000 A new motor vehicle was purchased for £30,000. part of the purchase price was settled by part exchanging another motor vehicle, which had cost £20,000, at an agreed value of £12,000. the balance of £18,000 was paid in cash.
- The motor vehicle given in part-exchange had a net book value (cost less depreciation) at 30 June 1999 of £10,000

Required:

Prepare ledger accounts to record these transactions in the records of Pentland Limited.

(20marks)

QUESTION TWO

James Mbuvi started a taxi business in Nairobi March 1990 under the firm name Mbuvi Taxis. The firm had two vehicles KA and KB, which had been purchased for Sh.560, 000, and Sh.720, 000 respectively earlier in the year.

In February 1992 vehicle KB was involved in an accident and was written off. The insurance company paid the firm Sh.160, 000 for the vehicle. In the same year the firm purchased two vehicles, KC and KD for Sh.800, 000 each.

In November 1993 vehicle KC was sold for Sh.716, 000. In January 1994 vehicle KE was purchased for Sh.840,000. In March 1994 another vehicle KF was purchased for Sh.960, 000.

The firm's policy is to depreciate vehicles at the rate of 25 per cent on cost on vehicles on hand at the end of the year irrespective of the date of purchase. Depreciation is not provided for vehicle disposed of during the year. The firm's year ends on 31 December.

Required:

- a) Calculate the amount of depreciation charged in the profit and loss account for each of the five years. (7 marks)
- b) Prepare the motor vehicle account (at cost). (8 marks)
- c) Calculate the profit and loss on disposal of each of the vehicles disposed of by the company. (5 marks)

(Total: 20 marks)

QUESTION THREE

A company depreciates its plant at the rate of 20 per cent per annum, straight line method, for each month of ownership. From the following details draw up the plant account and the provision for depreciation account for each of the years 1999, 2000, 2001 and 2002.

- 1999 Bought plant costing £900 on 1 January.
Bought plant costing £600 on 1 October.
- 2001 Bought plant costing £550 on 1 July.
- 2002 Sold plant which had been bought for £900 on 1 January 1999 for the sum of £275 on 30 September 2002.

You are also required to draw up ;

- i) The plant disposal account, and
- ii) The extracts from the balance sheet as at the end of each year.

(20marks)

QUESTION FOUR

A company starts in business on 1 January 1999, the financial year end being 31 December. You are to show:

- a) The plant account.
- b) The provision for depreciation account.
- c) The balance sheet extracts for each of the years 1999, 2000, 2001, 2002.

The machinery bought was:

- 1999 1 January 1 plant costing £8,000
- 2000 1 July 2 plant costing £5,000 each
- 1 October 1 plant costing £6,000
- 2002 1 April 1 plant costing £2,000

Depreciation is at the rate of 10 per cent per annum, using the straight-line method, plant being depreciated for each proportion of a year. (20marks)

THE END.....