



**MURANG'A UNIVERSITY COLLEGE**

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

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**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: 16<sup>TH</sup> DECEMBER, 2015**

**TIME: 2 HOURS**

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**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;

- i) Right issue
- ii) Bonus shares
- iii) Revaluation Reserve
- iv) Capital Redemption Reserve
- v) Paid up shares

(10marks)

b) The following is the trial balance of Transit Ltd at 31 March 2012.

	£	£
Issued share capital (ordinary shares of £1 each)		42,000
Leasehold properties, at cost	75,000	
Motor vans, at cost (used for distribution)	2,500	
Provision for depreciation on motor vans to 31 March 2011	7,650	1,000
Administration expenses	10,000	
Distribution expenses	12,000	
Stock, 31 March 2011	138,750	
Purchases		206,500
Sales	25,000	
Directors' remuneration (administrative)		3,600
Rents receivable	6,750	
Investments at cost		340
Investment income		15,000
7% Debentures	1,050	
Debenture interest	162	
Bank interest		730
Bank overdraft	31,000	24,100
Debtors and creditors	1,260	
Interim dividend paid		<u>17,852</u>
Profit and loss account, 31 March 2011	<u>311,122</u>	<u>311,122</u>

You ascertain the following:

All the motor vans were purchased on 1 April 2009. Depreciation has been, and is to be, provided at the rate of 20% per annum on cost from the date of purchase to the date of sale. On 31 March 2012 one van, which had cost £900, was sold for £550, as part settlement of the price of £800 of a new van, but no entries with regard to these transactions were made in the books. The estimated corporation tax liability for the year to 31 March 2012 is £12,700. It is proposed to pay a final dividend of 10% for the year to 31 March 2012. Stock at the lower of cost or net realizable value on 31 March 2012 is £16,700.

### Required:

Prepare, without taking into account the relevant statutory provisions:

- i) An Income Statement account for the year ended 31 March 2012 (10marks)
- ii) A Statement of financial position as at 31 March 2012 (10marks)

**TOTAL :30marks**

## QUESTION TWO

- a) Explain any five contents in a partnership deed (5marks)
- 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.

(15marks)

**TOTAL: 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.
- 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.

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

**(20marks)**

## QUESTION FOUR

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 31<sup>st</sup> 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 31<sup>st</sup> 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)

**TOTAL:20 MARKS**

**THE END .....**