



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS & TOWN CAMPUS

SPECIAL / SUPPLEMENTARY UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

**SECOND YEAR FIRST SEMESTER EXAMINATIONS
FOR THE DEGREE OF BACHELOR OF COMMERCE**

**&
SECOND YEAR FIRST SEMESTER; SECOND YEAR SECOND
SEMESTER EXAMINATIONS
FOR THE DEGREE OF BACHELOR OF PURCHASING AND
SUPPLIES MANAGEMENT**

COURSE CODE: HBC 2107: & HPS 2202:

COURSE TITLE: INTRODUCTION TO ACCOUNTING 2

**&
FINANCIAL ACCOUNTING 2**

DATE: 7-8-2015

TIME: 9:00-11:00am

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer THREE (3) questions

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE:

a) The following is the trial balance of Transit Ltd at 31 March 2008.

	Sh.	Sh.
Issued share capital (ordinary shares of Sh.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 2007		1,000
Administration expenses	7,650	
Distribution expenses	10,000	
Stock, 31 March 2007	12,000	
Purchases	138,750	
Sales		206,500
Directors' remuneration (administrative)	25,000	
Rents receivable		3,600
Investments at cost	6,750	
Investment income		340
7% Debentures		15,000
Debenture interest	1,050	
Bank interest	162	
Bank overdraft		730
Debtors and creditors	31,000	24,100
Interim dividend paid	1,260	
Profit and loss account, 31 March 2007		<u>17,852</u>
	<u>311,122</u>	<u>311,122</u>

The following additional information is available:

All the motor vans were purchased on 1 April 2005. 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 2008 one van, which had cost Sh.900,000 was sold for Sh.550,000 as part settlement of the price of Sh.800,000 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 2008 is Sh.12,700.

It is proposed to pay a final dividend of 10% for the year to 31 March 2008.

Stock at the lower of cost or net realizable value on 31 March 2008 is Sh.16,700.

Required:

- i. Income statement for the year ended 31 March 2008: (10 marks)
 - ii. Balance sheet at that date (10 marks)
- b) A limited has an authorized share capital of 1,000,000 shares of sh1.00 each out of which only 750,000 shares have been issued, Although the firm requested the shareholders to pay 80cents per share, the shareholders have only been able to pay 50cents per share.

Determine the:

- i. Authorized share capital
- ii. Issued share capital
- iii. Called up share capital
- iv. Uncalled up share capital
- v. Paid up share capital

(10 marks)

QUESTION TWO:

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

	Dr. Sh.	Cr. Sh.
Buildings (cost Sh.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 2012	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: Matthew		350,000
Stephen		290,000
Current accounts: Matthew		13,060
Stephen		2,890
Drawings: Matthew	64,000	
Stephen	<u>56,500</u>	
	<u>2,446,040</u>	<u>2,446,040</u>

The following information has been provided:

- a) Stock, 30 June 2013, Sh.563,400
- b) Expenses to be accrued: Office Expenses Sh.960; Wages Sh.2,000
- c) Depreciate fixtures 10 per cent on reducing balance basis, buildings Sh.10,000
- d) Reduce provision for bad debts to Sh.3,200.
- e) Partnership salary: Sh.8,000 to Matthew. Not yet entered
- f) Interest on drawings: Matthew Sh.1,800; Stephen Sh.1,200.
- g) Interest on capital account balances at 10 per cent.

Required:

- a) Income statement and appropriation account for the year ended 30 June 2013 (12 marks)
 b) Balance sheet as at that date. (8 marks)

QUESTION THREE:

Kiprono does not keep proper books of accounts. You ascertain that his bank payments and receipts during the year to 31 December 2012 were as follows:

Receipts		Payments	
	Sh.		Sh.
Balance 1 Jan 2012	572	Purchases	10,007
Cheques for sales	13,179	Expenses	2,950
Cash banked	14,005	Drawings	11,250
Balance 31 Dec 2012	<u>3,751</u>	Delivery van	<u>7,300</u>
	31,507		31,507

From a cash notebook you ascertain:

	Sh.
Cash in hand 1 January 2012	62
Cash takings	16,300
Purchases paid in cash	1,850
Expenses paid in cash	375
Cash in hand 31 December 2012	65
Drawings by proprietor in cash	Unknown

You discover that assets and liabilities were as follows:

	1 Jan 2012	31 Dec 2012
	Sh.	Sh.
Debtors	1,850	2,070
Trade creditors	1,250	1,420
Stock on hand	2,650	2,990

Depreciation on the van is to be provided at the rate of 20% per annum.

Required:

From the above pieces of information, you are required to prepare:
 Statement of affairs as at 1st January, 2012

(5 marks)

Income statement as at 31st December, 2012

(8 marks)

Balance sheet as at 31st December, 2012

(7 marks)

QUESTION FOUR:

The following is the receipts and payments account of the Friendship Club for the year ended 31 December 2011:

	Sh.		Sh.
Balance at bank			
31 December 2010	102	Bar purchases	4,434
Entrance fees	42	Wages	416
Subscriptions: 2010	25	Rent	186
2011	305	Heating and lighting	128
2012	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 2011	<u>775</u>
	<u>6,486</u>		<u>6,486</u>

The following information is also supplied:

(1)	31 December 2010	31 December 2011
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 2010, the club held investments which cost Sh.500. During the year ended 31 December 2011, these were sold for Sh.750.		
3) Furniture was valued at Sh.300 on 31 December 2010. On June 2011, the club purchased additional furniture at a cost of Sh.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 2011. (10marks)

(b) Prepare a balance sheet at that date. (10marks)