



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF SCIENCE MATHEMATICS AND COMPUTER SCIENCE

COURSE CODE: HRD 2115

COURSE TITLE: ACCOUNTS AND FINANCE

DATE: 20th APRIL 2016

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer any TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE

- a. Explain the following accounting concepts and give examples of their relevance
- The Going concern concept
 - Business entity concept
 - Materiality concept
 - Realization concept
- (8 Marks)
- b. Briefly explain the following types of errors:
- Error of commission
 - Error of principle
 - Complete reversal of entries
 - Compensating errors
- (8 Marks)
- c. Shali, Ngao and Zimwe has been trading as partners. The following information is provided in relation to Shangazi Patnership for the year ended 31st December 2015.
- Net profits Sh. 30,350
 - Interest to be charged on capitals: Shali Sh. 2,000; Ngao Sh. 1,500; Zimwe Sh. 900
 - Interest to be charged on drawings; Shali Sh. 240; Ngao Sh. 180; Zimwe Sh. 130
 - Salaries to be credited: Ngao Sh. 2,000; Zimwe Sh. 3,500.
 - Profits to be shared in the ratio 5:3:2 for Shali, Ngao and Zimwe respectively
 - Current accounts: balances b/f Shali Sh. 1,860; Ngao Sh. 946; Zimwe Sh. 717
 - Capital accounts: balances b/f Shali Sh. 40,000; Ngao Sh. 30,000; Zimwe Sh. 18,000
 - Drawings: Shali Sh.,200; Ngao Sh. 7,100; Zimwe Sh. 6,900.

Required

- Appropriation account for the year ended 31 December 2015 (6 Marks)
- Partners current account (4 Marks)
- Statement of financial position extracts as at 31 December 2015 (4 Marks)

QUESTION TWO

The trial balance of Plastics Ltd as at 31 October 2015 is as follows:

	Sh.'000	Sh.'000
Ordinary shares of Sh.50 each		10,000
10% preference shares of Sh.100 each		9,000
10% debentures		8,000
Land and buildings (net book value)	25,000	
Plant and machinery (net book value)	8,000	
Motor vehicles (net book value)	2,000	
Inventory	6,000	
Accounts receivables and payables	20,000	19,000
Cash at bank	4,100	
Capital redemption reserve		6,000
Share premium		4,000
Retained profits as at (November 2014)		3,000
Debenture interest	400	
Preference dividend	450	
Gross profit		25,000
Other operating income		4,000
Administrative expenses	13,000	

Distribution costs	6,000	
Other operating expenses	1,550	
Interim ordinary dividend paid	2,000	
Corporation tax		<u>500</u>
	<u>88,500</u>	<u>88,500</u>

Additional information:

1. A building whose net book value is currently Sh.5 million is to be revalued to Sh.9 million
2. A final ordinary dividend of Sh.2 million is proposed.
3. The balance on the corporation tax for the current year is estimated at Sh.3 million.

Required:

- (i) Income statement for the year ended 31 October 2015. (10 marks)
 - (ii) Balance sheet as at 31 October 2015. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

Kaluwax Ltd. manufactures one product which it sells to the wholesale trade. The following trial balance was extracted from the books of the company at 30 April 2015:

	Sh.	Sh.
Stocks at 1 May 2014		
Raw materials, at cost	350,000	
Work- in-progress, at factory cost	1,800,000	
Finished goods (3,500 units) at factory cost	3,500,000	
Raw materials purchased	3,950,000	
Sales (12,000 units)		18,000,000
Manufacturing wages	3,000,000	
Factory rent and rates	1,400,000	
Factory light, heat and power	655,000	
Plant at cost		6,000,000
Plant depreciation at 1 May 2014		2,800,000
Works manager's salary	245,000	
Plant repairs		400,000
Administrative overheads	1,800,000	
Factory building at cost (20 years duration)	4,000,000	
Amortization at 1 May 2014		1,200,000
Share capital		7,500,000
Debtors	3,050,000	
Bank balance	1,600,000	
Creditors		2,450,000
Carriage inwards	<u>200,000</u>	
	<u>31,950,000</u>	<u>31,950,000</u>

The following additional information is available:

1. Plant depreciation is to be provided at 10% on the cost of plant owned at the year end.
2. Raw materials costing Sh.500, 000 were in stock on 30 April 2015.
3. Finished goods are transferred to the warehouse as soon as they are completed. During the year, 10,000 units were completed and transferred to the warehouse. Work-in-progress at the end of the financial year (at factory cost) amounted to Sh.2, 300,000.
4. There was no wastage or pilferage during the current year.

Required:

- i. Manufacturing, trading and profit and loss account for the year ended 30 April 2015. (12 Marks)
- ii. Balance sheet as at April 2015 (8Marks)

QUESTION FOUR

- a. Describe any six users of accounting information highlighting their informational needs (12 Marks)
- b. Qualitative characteristics are the attributes that make information provided in financial statements useful to users. Briefly explain the four main qualitative characteristics of financial statements` (8 Marks)