



MURANG'A UNIVERSITY COLLEGE (MRUC)
(A *Constituent* College of Jomo Kenyatta university of Agriculture & Technology)

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION 2013

FIRST YEAR FIRST SEMESTER EXAMINATION

FOR THE DEGREE OF (I) BACHELOR OF PURCHASING AND SUPPLIES

(II) BACHELOR OF HUMAN RESOURCE

HPS 2103: FINANCIAL ACCOUNTING

DATE:

TIME: 2 HOURS

INSTRUCTIONS

Answer Question *ONE* and any *OTHER TWO* Questions.

QUESTION ONE; COMPULSORY QUESTION (30 MARKS)

(a) A degree student was trying to comprehend the reasons why the preparation of accounts is always detailed yet it just involves inflows and outflows of cash. By citing good reasons, advice this student. (5 marks)

(b) Differentiate between

(i) Book-keeping and Accounting

(ii) Journals and ledgers

(iii) Debit note and credit note

(iv) Expenses and liabilities

(8 marks)

(c). The following balances were extracted from Mr. Bidii's books of accounts on 31st December

| | |
|------------------------------------|---------|
| 2012Cash in hand | 10,800 |
| Cash at bank | 38,790 |
| Petty cash in hand | 1,350 |
| Stock 1 st January 2012 | 54,000 |
| Motor Vehicles | 270,000 |
| Sundry debtors | 147,150 |
| Sundry creditors | 119,340 |
| Purchases | 351,900 |
| Purchases returns | 14,400 |
| Sales | 789,300 |
| Sales returns | 15,300 |
| Carriage in | 6,750 |
| Carriage out | 7,875 |
| Discount received | 15,750 |
| Discount allowed | 12,600 |
| Rent and rates | 36,600 |
| Wages and salaries | 162,000 |
| Printing and stationery | 33,300 |
| Drawings | 22,500 |
| Telephone expenses | 5,625 |

| | |
|-------------------------|--------|
| Office equipment | 90,000 |
| Furniture | 67,500 |
| Electricity | 6,525 |
| Water | 1,575 |
| Bank charges | 540 |
| Insurance | 16,200 |
| Motor expenses | 25,200 |
| General office expenses | 19,350 |

Additional Information;

Closing stock as at 31st Dec.2004 is ksh 102,150

Required:

- (a) Re-arrange the balances in a trial balance on 31st December 2012 (5Marks)
- (b) Prepare a trading and profit and loss for the year ending 31st December 2012 (6 Marks)
- (c) Prepare a balance sheet as at 31st December 2012 (6 Marks)

(Total; 30 Marks)

Answer **ANY TWO** Questions

QUESTION TWO

Victor and Victoria are partners, sharing the profits and losses in the ratio 3: 2. The following is a trial balance as

in their partnership books at 31 December 2010.

Capital Account at January 1, 2010

| | Sh | Sh |
|-----------------------------|---------|---------|
| Victor | | 65,400 |
| Victoria | | 52,800 |
| Drawings | | |
| Victor | 14,400 | |
| Victoria | 9,600 | |
| Provision for doubtful debt | | 1,920 |
| Purchases | 406,560 | |
| Sales | | 527,440 |
| Fixed assets at cost | 46,400 | |
| Fittings at cost | 9,600 | |

| | | |
|----------------------------|----------------|----------------|
| Provision for depreciation | | |
| -Fixed Assets | | 23,680 |
| -Fittings | | 4,560 |
| Stock (January 1,2010) | 69,440 | |
| Cash | 5,160 | |
| Office expenses | 20,600 | |
| Machinery (Jan 1, 2010) | 15,840 | |
| Machinery expenses | 6,400 | |
| Debtors and Creditors | 42,200 | 16,800 |
| Bank | | 2,160 |
| Salaries | 29,440 | |
| Insurance | 8,880 | |
| Discount Allowed | <u>10,240</u> | |
| | <u>694,760</u> | <u>694,760</u> |

The following additional information is available

- Stock at 31 December, 2010 was valued at sh 105,520.
- Depreciation is to be provided at 10% per annum, on the written down value of the fittings and are 20% per annum of the initial costs of the fixed assets and machinery. Victor is to bear personally sh 1,600 of the machinery expenses. The balance of these expenses is to be divided in current and capital expenditure in ratio 2:3.
- No rent has been paid on the business premises during the year because of the dispute with the Land lord. The rental agreement provides for a rent for sh 1,600 per month.
- Bad debts of sh 800 are written off and provisions for doubtful debts to be adjusted to 2.5% of the remaining debtors.
- Insurance of sh 280 has been paid in advance as at 31 December 2010.
- The partners are entitled to an interest of 10% per annum on capital

Required;

Prepare the

- Trading, profit and Loss Account for the year ended 31 December 2010 (10 Marks)
- A Balance Sheet as at that date (10 Marks)

(Total 20 Marks)

QUESTION THREE

Broadways Ltd has an authorized share. Capital of 50,000 ordinary shares of sh 10 each. The company's trial balance as at 31st October 2011 was as follows.

| | Dr | Cr |
|-----------------------|---------|---------|
| Ordinary shares | | 300,000 |
| Share premium account | | 80,000 |
| Freehold premises | 350,000 | |
| Motor Lorries | 150,000 | |
| Plant and machinery | 230,000 | |
| Debtors and Creditors | 85,000 | 67,000 |

| | | |
|-------------------------------------|-----------|---------------|
| 10% Debentures | | 100,000 |
| Purchases and sales | 285,000 | 428,000 |
| General expenses | 15,500 | |
| Bad debts | 4,300 | |
| Stock as at 1.11.2010 | 32,600 | |
| Debenture interest (Half year) | 5,000 | |
| Discount received | | 4,200 |
| Bank | 47,800 | |
| Salaries | 45,000 | |
| Directors salaries | 20,000 | |
| Insurance | 4,000 | |
| Provision for depreciation | | |
| Plant and machinery | | 175,000 |
| Motor Lorries | | 80,000 |
| Profit and loss Account (1.11.2010) | | <u>40,000</u> |
| | 1,274,200 | 1,274,200 |

The following addition information was given;

- Insurance sh 600 was prepaid
 - Closing stock 31.10.2011 was valued at sh 34,300
 - A corporate tax provision of sh 15,000 is to be made
 - The directors propose to pay a dividend of 10% to the ordinary share holders.
- Depreciation is to be calculated on fixed assets at 20% on the reducing balance basis.
 - The debenture interest for the second half of the year is to be accrued.

Required

- Trading, Profit and Loss account for the year ended 31st October, 2011 (10 Marks)
- A balance sheet as at that date (10 Marks)

(Total 20 Marks)

QUESTION FOUR

G. Ngotho had the following assets and liability on the dates shown
(An 'X' indicates that the amount has to be calculated)

| | 1.4.2009 | 31.3.2010 |
|----------------------|----------|-----------|
| | Sh | sh |
| Premises | 350,000 | 350,000 |
| Furniture | 60,000 | 53,000 |
| Motor Car | 318,000 | X |
| Stock in Trade | 62,800 | 74,300 |
| Trade Debtors | 39,500 | 40,700 |
| Trade Creditors | 79,600 | 93,000 |
| Bank Loan | 120,000 | X |
| Wages & Salaries due | 9,200 | 7,500 |
| Prepaid rates | 2,500 | 3,600 |

| | | |
|--------------------------|--------|-------|
| Rent received in advance | 4,000 | 6,800 |
| Capital | 63,800 | X |

He did not maintain records on double entry system. He however, kept a cash book with discount columns and a File of invoices issued and received the summary of his cash transactions during the year ended 31st March 2010 is given below.

| <u>Cash Summary</u> | | | |
|----------------------------|------------------|---------------------|------------------|
| Bal b/f | 103,800 | Trade creditors | 502,600 |
| Trade debtors | 613,100 | Cash purchases | 8,400 |
| Cash sales | 213,600 | Wages and salaries | 83,200 |
| Rent | 62,600 | Rates and Insurance | 16,400 |
| Capital, Ngotho | 476,400 | Transport | 28,200 |
| | | Bank Charges | 1,500 |
| | | General expenses | 72,700 |
| | | Loan Interest | 6,000 |
| | | Loan repayment | 100,000 |
| | | New car | 590,000 |
| | | Drawings | 36,000 |
| | | Balance c/d | 24,500 |
| | <u>1,469,500</u> | | <u>1,469,500</u> |

The following additional information is available;

- Discount allowed during the year amounted to sh 12,300 and discount received amounted to sh 13,600
- During the year Ngotho took goods from the business costing sh 5,000 for his personal use, without paying for them.
- Motor cars are subject to an annual depreciation of 20% on book value. The new motor car was bought on January 1, 2010.

Required ;

Show G. Ngotho's

- Trading, Profit and Loss Account for the year end 31st March 2010 (10 Mark)
- Balance sheet as at 31st December 2010 (10 Marks)

(Total: 20 marks)

QUESTION FIVE

On January 1,2012,S. Kanja had the following assets and liabilities;

| | |
|------------------|-----------|
| Cash at bank | 1,400,000 |
| Stock | 4,000,000 |
| Debtors; W.Kamau | 1,500,000 |

| | |
|------------------|-----------|
| R.Nundu | 960,000 |
| Creditors;J.Polo | 1,300,000 |
| S.Matoke | 850,000 |
| Office equipment | 420,000 |
| Motor Van | 3,200,000 |

His transactions during the month of January were as follows;

January 2 withdrew sh.200,000 from bank for office use

- “ 2 Purchased goods from J.Polo shs 250,000 on credit
- “ 4 Bought office stationery sh 36,000 in cash
- “ 7 Received cheque shs 940,000 from R.Nundu in full settlement less sh 20,000 cash discount.
- “ 12 Sold goods to W.Kamau shs 1,400,000 on credit
- “ 14 Paid salaries shs 80,000 in cash
- “ 15 Paid S. Matoke sh 600,000 by cheque on account
- “ 16 Returned goods worth sh 30,000 to J. Polo and received a credit note
- “ 20 Bought office equipment sh 145,000 on credit from Patel brothers
- “ 23 Sold all goods on hand receiving sh 1,250,000 cash and sh 5,000,000 by cheque
- “ 27 Paid Patel Brothers shs 130,000 in cash
- “ 28 Withdrew shs 370,000 from the Bank for personal use.
- “ 29 Paid rent sh 160,000 in cash and salaries shs 180,000 by cheque.

Required:

- (i) S.Kanja's capital as at January 2012 (5 marks)
- (ii) Open ledger accounts and record the opening balances (5 marks)
- (iii) Record the transaction for the month of February and close the accounts (5marks)
- (iii) Prepare a closing trial balance. (5 marks)
- (Total 20 marks)**

