



MURANG'A UNIVERSITY COLLEGE

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

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

MAIN CAMPUS

UNIVERSITY EXAMINATIONS

ORDINARY

2015/2016 ACADEMIC YEAR

YEAR TWO SEMESTER ONE EXAMINATIONS

DIPLOMA IN COOPERATIVE MANAGEMENT (DCM)

COURSE CODE: BS 1209

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 25TH APRIL 2016

TIME: 2 HOURS

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

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: 19X0	25	Rent	186
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

- On 31 December 19X0, the club held investments which cost £500. During the year ended 31 December 19X1, these were sold for £750.
- 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:

- Prepare an income and expenditure account for the year ended 31 December 19X1.
- Prepare a balance sheet at that date.

b) Explain the following terms as used in company accounts;

- Authorized share capital
- Issued share capital
- Paid up share capital
- Bonus shares
- Rights issue

(20marks)

QUESTION TWO

The Following Trial Balance Was Extracted From The Books Of Collins Ltd At 31 December 2013

	£	£
Share capital authorized and issued:		
80,000 ordinary shares of £1 each		80,000
Freehold premises at cost	59,000	
Motor vans		
Balance 1 January 2013 at cost	15,000	
Additions less sale proceeds	650	
Provisions for depreciation of motor vans to 31 December 2012		6,750
Stock in trade 31 December 2012	13,930	
Balance at bank	6,615	
Provision for doubtful debts 31 December 2012		275
Trade debtors and creditors	12,395	11,380
Directors' remuneration	4,000	
Wages and salaries	13,127	
Motor and delivery expenses	3,258	
Rates	700	
Purchases	108,440	
Sales		142,770
Legal expenses	644	
General expenses	5,846	
Profit and loss account: balance at 31 December 2012		<u>2,430</u>
	<u>243,605</u>	<u>243,605</u>

You are given the following information:

- i. Stock in trade, 31 December 2013, £14,600.
- ii. Rates paid in advance, 31 December 2013, £140.
- iii. Debts of £1,075 to be written off and the provision to be increased to £350.
- iv. On 1 January 2013, a motor van which had cost £ 680, was sold for £125.
- v. Depreciation provided for this van up to 31 December 2012 was £475.
- vi. Provide for depreciation of motor vans (including additions) at 20% of cost.
- vii. The balance on legal expenses account included £380 in connection with the purchase of one of the freehold properties.
- viii. The directors have decided to recommend a dividend of 5%.

Required:

With particular emphasis on presentation, prepare a trading and profit and loss account for the year 2013, and a balance sheet at 31 December 2013, ignoring taxation. **(20 marks)**

QUESTION THREE

a)

ABC Ltd

Trial Balance as on 31 December 2012

	Dr	Cr
Stock of raw materials 1.1.2012	21,000	
Stock of finished goods 1.1.2012	38,900	
Work in progress 1.1.2012	13,500	
Wages(direct £180,000: factory indirect£145,000)	325,000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost £280,000)	230,000	
Accounting machinery (cost £20,000)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Sales representatives' salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1000,000
Debtors and creditors	142,300	125,000
Bank	56,800	
Cash	1,500	
Drawings	20,000	
Capital as at 1.1.2012		29,680
	<u>1,421,800</u>	<u>1,421,800</u>

Notes at 31.12.2012

1. Stock of raw materials £24,000, stock of finished goods £40,000, work in progress £15,000.
2. Lighting, and rent and insurance are to be apportioned: factory 5/6ths, administration 1/6th.
3. Depreciation on productive and accounting machinery at 10 per cent per annum on cost.

Required:

Prepare a manufacturing, Trading Profit and Loss Account for the year ended 31 December 2012.

(TOTAL: 20marks)

QUESTION FOUR

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

	£		£
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

- 4) On 31 December 2010, the club held investments which cost £500. During the year ended 31 December 2011, these were sold for £750.
- 5) Furniture was valued at £300 on 31 December 2010. On June 2011, 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:

- c) Prepare an income and expenditure account for the year ended 31 December 2011.
 d) Prepare a statement of financial position as at that date.

(Total: 20marks)

THE END