



MURANG'A UNIVERSITY COLLEGE
(A Constituent college of Jomo Kenyatta University of Agriculture and Technology)
SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

EXAMINATION: MOCK

SEMESTER PERIOD: SEPTEMBER - NOV 2014

COURSE: DIPLOMA IN CO-OPERATIVE MANAGEMENT BS/CM/12

BS/CM/12D

UNIT CODE: BS 1308

UNIT NAME: FINANCIAL ACCOUNTING

MAIN EXAM

TIME:

DATE: 21 OCTOBER 2014

INSTRUCTIONS:

Answer *ALL FIVE* Questions

Q1. The following is an extract of the financial statements KAM stockist Ltd for the year 2012 and 2013.

Balance sheet us 30th June Ksh''000'

year	<u>2012</u>	<u>2013</u>
<u>Non current assets</u>		
	72,500	75,000
<u>Current Assets</u>		
Inventory	24,500	26,500
Receivables	34,000	36,500
Bank	<u>1,250</u>	<u>2,250</u>
	<u>132,250</u>	<u>14,250</u>

Capital and reserves

Issued share capital	50,000	50,050
Reserves	26,100	32,600

Non current Liabilities

10% loan notes	20,000	21,500
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Current Liabilities

Trade payables	31,900	31,000
Taxation	2,250	2,950
Dividend	<u>2 000</u>	<u>2 150</u>
	<u>132,250</u>	<u>132,250</u>

Profit and loss account year ended 30th June 2013

	Ksh'000'
Sales revenue	195,000
Profit from Operations	13,750
Net interest cost	2,150
Profit before taxation	11,600
Income tax expense	2 950
Profit after tax	8 650
Dividend	2 150
Net profit for period	6 500

Note

- (i) Depreciation charge for year sh 6m
- (ii) No current asses disposed in the year proceeds Ksh 300,000
- (iii) Depreciation Ksh 17 5000
- (iv) Cost ksh 500,000

Required

Cash flow statement for KAM stocists for the year ended 30th June 2013 [20 marks]

Q2. (a) (i) Explain the importance of use of ratios in the organization. [4 marks]

(ii) Highlight four uses of balance sheet information. [4 marks]

(b) Peter Kamau has a branch in Nakuru. Goods are sent by Head office in Nairobi marked at selling price which is cost plus 25%. All expenses of the branch are paid by the Head Office. All cash collected by the branch from the debtors and cash sales is deposited to the credit HO.

The following are particulars of the branch

	Sh
Debtors on 1 Jan 2008	12 000
Debtors on 31 st December 2008	14,000
Inventory with the branch at involve price	
On 1 st June 2008	16,000
On 31 st Dec. 2008	17000
Cash sales during the year	60,000
Cash deposited in HO account during the year	127,000
Return of goods to the HO	5,000
Salaries paid	6,000
Rent paid	4,000
Discount allowed to customers	2,000
Bad debts written of	1 000
Spoilage	2 000

Prepare

- (i) Branch stock account.
- (ii) Branch adjustment account in the books of the Head Office

[12 marks]

Q3.

	Dr	Cr
Stock at Jan 2004		
Raw materials	459 000	
WIP	578 000	
Finished goods	516 000	
Plant and Machinery	1 500 000	
Office furniture and equipment	470,000	
Sales of finished goods		7 735 000
Purchase of raw materials	1,870,000	
Factory wages	1,275,000	
Supervisory salaries	170,000	
Factory Insurance	61,200	
Factory electricity power	51,000	
Plant repair and maintenance	136,000	
Advertisements	33,000	
Factory rates	57,600	
Office salaries and wages	680,000	
Office lighting and water	142,000	
Office telephone and e-mails	28,500	
Postage and stationery	25,500	323 000
Debtors and creditors	444,000	
Cash and bank balances	181,000	
Bank charges and interests	21,500	
Bad debts written off	<u>16 100</u>	<u>661 200</u>
Capita	<u><u>8 719 210</u></u>	<u><u>8 719 200</u></u>

Additional information

- (a) Stock on 31 Dec 2004
- | | | |
|----------------|----|---------|
| Raw materials | sh | 510 000 |
| WIP | | 680 000 |
| Finished goods | | 425 000 |
- (b)
- (c) Depreciation charged as follows
- | | |
|-------------------------|------|
| Plant and machinery | 25% |
| Furniture and equipment | 12½% |

Required

- (i) Manufacturing trade profit and loss for the year ending 31st December 2004
- (ii) Balance sheet as at 31 December 2004

[20 marks]

Q4(a) Explain *four* accounting concepts.

[8 marks]

- (b) Firm XYZ in Nairobi consigned 2000 shirts to Lama Ltd in Dodoma at sh 150 each XYZ paid freight of sh 20,000 and insurance of sh 3000. During the transit 200 shirts were completely destroyed by fire. Lama Ltd took the delivery of the remaining shirts and paid sh 28,800 as customs duty Lama Ltd sent a bankers cheque to XY Ltd for sh 1,000,000 as a advance payment. 1600 shirts were sold by Lama Ltd at sh 20 each. Expenses incurred by Lama Warehouse rent, advertisement etc amounted to sh.4,000. They are entitled to a commission of 5%. One of the customers to whom goods were sold could not pay cost of 10 shirts.

Required

Prepare consignment account and account of Lama Ltd in books of XY Ltd. [12 marks]

Q5 Mariana has patented rectangular TV antenna and granted sky Blue Ltd alicences for ten years manufacture and sell the product on the following terms:

1. Sky Blue to pay Mariana a royalty of sh 10 for each antenna sold.
2. Minimum royalty for each of the first of three years covered by licence was to be sh 50,000. After these years royalties are payable on actual numbers of antenna's sold.
- 3 Royalties on antennas sold amounted to less than sh 50,000 SKY blue was entitled to deduct the difference from loyalties in excess of the sum payable in respect of the three years of the agreement

The number of antennas sold were as follows:

Year ended 31 March 2004	4300
2005	4900
2006	5450
2007	5250

Required

In the books of SKY Blue

- (a) Royalties account
- (b) Short workings account
- (c) The account of Mariana.

[20 marks]