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(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

SUPPLIMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 103

COURSE TITLE: FINANCIAL ACCOUNTING II

DATE:

17/10/2018

TIME:

11:00 A.M

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 3 Hours

KIBUCO observes ZERO tolerance to examination cheating

This Paper Consists of 15 Printed Pages. Please Turn Over. 

SECTION A (COMPULSORY)

QUESTION ONE

- (a) Briefly explain the reasons why a company would not wish to distribute all its profits to its shareholders. (4marks)
- (b) The following balances were extracted from the books of Wamu Traders Ltd.as at 30 September 2000:

	Sh.	
	Sh.	
	DR.	CR.
Ordinary shares of Sh.20 each. Fully paid	600,000	
8% preference shares Sh.20 each. Fully paid	100,000	
Share premium account	80,000	
6°-o loan stock	100,000	
Trade creditors	148,000	
Trade debtors		330,000
Sales	4,800,000	
Purchases	4,220,000	
Discounts allowed		5,000
Discounts received		13,000
Freehold buildings:		
At cost		500,000
Provision for depreciation		50,000
Fixtures and fittings:		
At cost		640,000
Provision for depreciation		256,000
Stock I October 1999		420,000
Returns outwards	80,000	
Establishment expenses	130,000	
Administration expenses		56,000
Selling and distribution expenses		167,000
Bad debts written off	4,000	
Provision for doubtful debts	18,000	
Retained profit I October 1999		362,000
Goodwill		160,000
Bank overdraft		25,000

The following additional information is available:

1. Depreciation is provided annually on the cost of fixed assets held at the end of the financial

year at the following rate:

Freehold buildings 20%

Fixtures and fittings 10%

2. The trade debtors balance includes Sh. 10,000 due from Musa who has now been declared bankrupt. In the circumstances, it has been decided to write the debt off as a bad debt.
3. The provision for doubtful debts as at 30 September 2000 is to be 5% of trade debtors
4. Establishment expenses prepaid at 30 September 2000 amounted to Sh.4,000.
5. Administration expenses accrued at 30 September 2000 amounted to Sh.7,000.
6. The company paid the interest on the loan stock for the year, ended 30 September 2000 on 30 October 2000.
7. Closing stock was valued at Sh.560,000.
8. The company's directors propose that the preference share dividend be paid and a dividend of 10% the ordinary shares be paid.

Required:

- (i) Trading and profit and loss account and appropriation account for the Year ended 30 September 2000 of Wamu Traders Ltd. (8 marks)
 - (ii) Balance sheet as at 30 September 2000. (8 marks)
- c) Define the following terms as used in financial accounting
- I. Preference share capital (2 marks)
 - II. Ordinary share capital (2 marks)
 - III. Authorized share capital (2 marks)
 - IV. Issued share capital (2 marks)
 - V. Called up share capital (2 marks)

(Total: 30 marks)

SECTION B (CHOOSE TWO QUESTIONS)

QUESTION TWO

- a) Differences between partnership and limited companies (10 Marks)
- b) Define partnership and briefly explain the contents of a partnership deed. (10 marks)

QUESTION THREE

J Kiarie carries on a manufacturing business in Eldoret. The trial balance extracted from his books as at 31 March 2004 was as follows:

	Sh.'000	Sh.'000
Stock at 1 April 2003:		
Raw materials	16,200	
Finished goods	58,000	
Purchases of raw materials	409,600	
Manufacturing wages	92,200	
Rent, rates and insurance	15,400	
Salaries	102,400	
Discounts allowed	4,000	
Carriage inwards	7,600	
General expenses	53,800	
Professional charges	6,400	
Carriage outwards	9,400	
Motor vehicles at cost	24,400	
Plant and machinery at cost	96,000	
Leasehold premises (acquired on 1 April 2003)	140,000	
Capital as at 1 April 2003		200,000
Sales		841,600
Discounts received		5,000
Provision for doubtful debts (1 April 2003)		10,000
Sundry creditors		59,000
Provision for depreciation (1 April 2003):		
Plant and machinery		26,800
Motor vehicles		11,600
Sundry debtors	79,000	
Bank balance	39,600	
	<u>1,154,000</u>	<u>1,154,000</u>

Additional information:

1. Sales included Sh.46, 000,000 in respect of goods charged out to customers at cost plus 25% on a sale or return basis. The goods remained unsold as at 31 March 2004.
2. The stock of finished goods and raw materials at cost as at 31 March 2004 amounted to Sh.63, 600,000 and Sh.15, 800,000 respectively.
3. Prepaid insurance as at 31 March 2004 was Sh.400, 000 and Sh.1, 000,000 owed for lighting and heating as at the same date. Lighting and heating is accounted for through the general expense account.
4. Included in the salaries account were drawings by J.Kiarie amounting to Sh.400,000 per week. (Assume a 52 – week year)

5. A debt of Sh. 1,000,000 is to be written off and provision for doubtful debts is to be reduced to Sh.8,000,000
6. During the year, motor vehicles which had cost Sh.12,000,000 and which had been written down to Sh.4,000,000 were sold for Sh.9,600,000. This amount has been credited to motor vehicles account.
7. Legal fees amounting to Sh.2,800,000 in respect of acquisition of the leasehold premises are included in the professional charges account. The lease costs are to be amortised over 20 years.
8. Provision for depreciation on motor vehicles and plant and machinery is to be made at Sh.3,800,000 and Sh.5,000,000 respectively.

Required:

- (a) Manufacturing, trading and profit and loss accounts for the year ended 31 March 2004.
(10 marks)
- (b) Statement of financial position as at 31 March 2004.
(10 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) State and briefly explain any three distinguishing features between (i) a receipts and payments account and (ii) an income and expenditure account.
(4 marks)
- (b) The accountant of Mamba Sports Club has extracted the following information from the books of account for the year ended 31 March 2001.

Receipts		Payments	
	Sh		Sh
Balance brought forward	288,000	Salaries and wages	254,000
Subscriptions		New equipment	565,000
Year: 1999/2000	249,000	Repairs and maintenance	124,000
2000/2001	2,050,000	Office expenses	415,000
2001/2002	194,000	Printing and stationery	168,000
Dinner dance	723,000	Purchase of beverages	497,000
Beverage sales	657,000	Dinner dance expenses	315,000
Investments income	400,000	Refund of subscriptions	45,000
		Sports prizes	25,000
		Transport	248,000
		Investments	1,500,000
		Balance carried forward	<u>405,000</u>
	4,561,000		4,561,000
Balances as at	31 March 2000		31 March 2001
Furniture and fittings (net)	240,000		-
Equipment (net)	690,000		-
Investment at cost	3,500,000		-
Subscriptions in arrears	300,000		375,000

Salaries accrued	68,000		72,000
Stock of beverages	162,000		184,000
Subscriptions in advance	85,000		-

Additional information:

1. Subscriptions in arrears are written-off after twelve months.
2. Depreciation is provided for on reducing balance method at 10% and 20% per annum on furniture and fittings and equipment respectively.
3. Investments, which had cost Sh. 500,000, were sold on 30 March 2001 for Sh. 625,000. No entries have been made in the books in this respect.

Required:

- (a) Income and expenditure account for the year ended 31 March 2001. (10 marks)
 - (b) Balance sheet as at 31 March 2001. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Explain the advantages of maintaining control accounts. (6 marks)
- (b) The following balances were extracted from the books of Katee Ltd. for the month of April 2005:

	Sh.'000
Debit balances (1 April 2005): Sales ledger	1,428,000
Purchases ledger	10,500
Credit balances (1 April 2005): Sales ledger	40,500
Purchases ledger	553,800
Discounts received	142,500
Discounts allowed	209,700
Purchase (including cash purchases of Sh.152,000)	1,334,000
Cash sales	618,000
Credit sales	2,068,200
Credit notes issued to customers for returned goods	75,000
Sales ledger debit balances off-set against purchases ledger	36,900
Payment to creditors	1,159,200
Interest charged by creditors on overdue accounts	69,000
Receipt from customers	1,578,000
Bad debts written off	37,200
Customer's unpaid cheques	26,100
Interest charged to customers on overdue accounts	96,100
Debt collection expenses charged to debtors	10,800

Credit notes received from suppliers	26,700
Balances as at 30 April 2005: Purchases ledger (debt)	14,400
Sales ledger (credit)	50,700

Required:

- (i) Sales ledger control account for the month ended 30 April 2005. (7 marks)
- (ii) Purchases ledger control account for the month ended 30 April 2005. (7 marks)

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