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(Knowledge for Development)
KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

SPECIAL / SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE / BACHELOR OF

BUSINESS MANAGEMENT

COURSE CODE: BCA 121 / BBA 121/ BBM 122

COURSE TITLE: FINANCIAL ACCOUNTING II

DATE: 1ST OCTOBER, 2021

TIME: 11.00AM – 1.00PM

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. 

Additional information:

- i. Stocks at 31 December 2012 were as follows:

Sh.

'000'

Raw materials 9,000

Work in progress 8,000

Finished goods 10,350

- ii. The factory output is transferred to the trading account at factory cost plus 25% of factory profit

- iii. Depreciation is provided at the rates shown below on the original cost of fixed assets held at the end of each financial year.

Plant and machinery - 10% per annum

Motor vehicles - 25% per annum

- iv. Amounts accrued at 31 December 2012 for direct labour amounted to Sh 3,000,000 and rent and rates prepaid at 31 December 2012 amounted to Sh 2,000,000.

Required:

- (a) Manufacturing, trading and profit and loss account for the year ended 31 December 2012. (12 marks)
- (b) Statement of financial position as at 31 December 2012. (8 marks)

QUESTION THREE

Pwani Sailors Club is an association for sailors. It provides the following services to the members and the public:

- a) A club house with a bar for drinks and other social functions
- b) Yacht racing competitions
- c) Hire of boats
- d) A sailing training school for all age groups

The following financial information relates to the club as at 1 June 2016:

Sh '000'

Fixed assets (Net book value):

Repairs workshop 5000

Freehold premises 40000

Boatyard and launch facilities 8000

Fixtures and fittings 3000

Club-owned boats and yachts 35000

Current assets and liabilities:

Members' subscriptions:

Outstanding 400

Prepaid 560

Bank balance

11070

Bar stocks

3100

Creditors for bar purchases 500

The club's receipts and payments for the year ended 31 May 2017 were as follows:

Receipts

Sh '000' Payments Sh '000'

Receipt from training school

2,050

Purchase of two new club yachts

5,000

Boat hire charges: Repairs to yachts and boats	1,920
For members 900 Purchase of bar stocks	5,010
For non-members 1,960 Prizes paid on yacht racing	
Members' subscriptions	20,090
Bar and social functions' takings	1,870
(Cash collections) Wages to barmen	1,260
Fees and charges from yacht racing bar attendants	8,000
Competitions	1,500
Salvage proceeds from sunk boat 200	3,080
General expenses	2,200

Additional information:

- During the year, a club boat whose net book value was Sh 2,000,000 was involved in a collision while sea. The boat sunk and the salvage was disposed of for Sh 200,000.
- Depreciation is provided on reducing balance basis at the following annual rates:

Asset: Rate

- Freehold premises 5%
- Boatyard and launch facilities 5%
- Club boats and yachts 5%
- Fixtures and fittings 10%
- Repairs workshop 10%

- Full years' depreciation is provided in the year of acquisition but none in the year of disposal. Bar stocks as at 31 May 2017 were valued at Sh 2850000.
- Outstanding creditors as at 31 May 2017 were as follows:

Sh. '000'

- Bar purchases 610
- Bar wages 35
- Repairs to boats 320

- Non-members are allowed to hire boats at an extra charge of 20%. During the year, 25% of the 20% extra charge received from hire of boats to non-members was donated to a local charity. This donation had not yet been paid to the local charity.
- A retired club member died recently and bequeathed (left by his will) two boats to the club. The boats were valued at Sh 3000000 and were formally acquired on 1 May 2017.
- As at 31 May 2017 outstanding and prepaid member's subscriptions amounted to Sh 350000 and Sh 790000 respectively.

Required:

- Income and expenditure account for the year ended 31 May 2017. (12 Marks)
- Statement of financial position as at 31 May 2017. (8 marks)

QUESTION FOUR

Ushirika Women's Welfare Society sells water tanks at subsidized prices to its members and the general public. The members' contributions are used to meet the cost of manufacturing the water tanks.

The trial balance extracted from the books of account of the society as at 30 April 2016 was as follows:

	Sh.'000' DR	Sh.'000' CR
Accumulated fund as at 1 May 2015		25,000
Annual subscriptions received		10,000
Stock of raw materials as at 30 April 2016	20,000	
Motor vehicle: Cost	10,000	
Accumulated depreciation		4,000
Machinery: Cost	22,000	
Accumulated depreciation		5,000
Donations from members		2,500
Raw materials used in production of water tanks	35,000	
Sale of water tanks		45,000
Selling expenses	2,000	
Factory wages	600	
Factory overheads	1,000	
Creditors for raw materials		2,800
Cash at bank and in hand	500	
Society's office expenses	4,100	
Membership fees fund		7,500
Sale of Raffle tickets		2,800
Raffle prizes paid	1,200	
Cost of raffle tickets	300	
Suspense account		7,900
	104,600	104,600

Additional information:

i. An investigation carried out on the suspense account revealed that it comprised:

Sh.'000'

Subscriptions in arrears as at 30 April 2015 3,500

Bonus paid to factory staff during the year 1,500

Rent for factory building 1,000

Rent for the society's offices 4,000

Subscriptions in advance as at 30 April 2015 2,100
7,900

ii. Annual subscriptions in arrears as at 30 April 2016 amounted to Sh 2,000,000 while subscriptions received in advance as at 30 April 2016 amounted to Sh 1,500,000.

iii. The membership fee is levied every ten years. The membership fees attributable to the year ended 30 April 2016 amounted to Sh 800,000

iv. Accrued society's office expenses as at 30 April 2016 amounted to Sh 400,000.

v. The motor vehicle usage should be apportioned to the factory and society's offices at

80% and 20% respectively. Depreciation should be provided on cost at 5% per annum on machinery and 10% per annum on motor vehicles.

Required:

- (a) Water tanks trading and statement of comprehensive income for the year ended 30 April 2016 (6 marks)
- (b) Income and expenditure account for the year ended 30 April 2016 (8 marks)
- (c) Statement of financial position as at 30 April 2016. (6 marks)

QUESTION FIVE

Nyoike, Kemei, Lasoi and Mutuku, who have been partners in a tile manufacturing business sharing profits and losses in the ratio 4:3:2:1, had a serious disagreement on 15 January 2014 which necessitated dissolution of the partnership. For the purpose of dissolution, their accountant extracted a balance sheet as at 1 February 2014 as follows:

	Sh. '000'	Sh. '000'
Non – current assets:		21,250.0
Land and Buildings		19,802.5
Plant and machinery		7,500.0
Furniture and fittings		<u>5,000.0</u>
Investments		53,552.5
 Current assets:		
Inventory	15,870.0	
Debtors	9,602.5	
Balance at bank	782.50	
Total assets		<u>26,255.0</u>
Capital and liabilities:		10,000.0
Capital account: Nyoike		17,500.0
Kemei		10,000.0
Lasoi		<u>7,500.0</u>
Mutuku		45,000.0
		17,500
General reserves		<u>17,307.5</u>
Current liabilities:		
Creditors		79,807.5

Additional information:

1. The assets, which were sold on piecemeal basis, realized cash as follows:

	Sh. '000'
10 February 2014	8,750
16 February 2014	7,330
27 February 2014	6,050
03 March 2014	5,000
20 March 2014:	17,500
Inventory (partial)	1,250
Debtors (Partial)	6,875
Investments	16,400
Furniture & Buildings	877.5
Land & Buildings	
Debtors (Balance)	
Inventory (Balance)	
plant & machinery, Debtors (Balance)	

2. The partners agreed to set aside Sh. 1.25 million to meet realization expenses.

3. Any cash available for distribution thereafter was to be shared immediately the
Creditors were paid in full.

Any cash available for distribution thereafter was to be shared immediately the creditors were paid in full.
The realization expenses which amounted to Sh. 1 million were paid on 15 April 2014.

Required:

Using the maximum possible loss method, prepare:

- (a) Statement showing how the proceeds should be shared. (8 marks)
- (b) Realization account and capital account to close off the book for the partners (12 marks)