(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

SPECIALS/SUPPLEMENTARY EXAMINATION

COURSE CODE: DAB 101

FOR DIPLOMA IN BUSINESS MANAGEMENT.

COURSE TITLE: FINANCIAL ACCOUNTINGI.

DATE: 12TH JANUARY,2022 TIME: 2.00PM – 4.00PM

INSTRUCTIONS TO CANDIDATES

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

1. Answer a total of **three** questions; question **one** and any other **two** questions.
2. Question **one** carries **30 marks** and each of the other two questions carry **20** marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

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

SECTION A (COMPULSORY)

QUESTION ONE

a) Discuss the relevance of control accounts in accounting. (7 marks)

b) The following are balances of the account which is to be taken as the amount of creditors as on 30 June.

2003		Shs.
June 1	Purchases ledger balances	36,760
	Totals for June:	
	Purchases journal	422,570
	Returns outwards journal	10,980
	Cheques paid to suppliers	387,650
	Discounts received from suppliers	8,870
June 30	Purchases ledger balances	?

Required

Prepare a purchases ledger control account from the following for the month of June. (8 marks)

c) Taylor and Clarke have been in partnership for one year sharing profits and losses in the ratio of Taylor 3/5 Clarke 2/5. They are entitled to 5% p.a interest on capitals. Taylor having shs. 20,000 capital and Clerk shs. 60,000. Clerke is to have a salary of shs. 15,000. They charge interest on drawings, Taylor being charged shs. 500 and Clarke shs 1000. The net profit, before any distributions to the partners, amounted to shs. 50,000 for the year ended 31 December 2007.Prepare appropriation account for Taylor and Clarke. (7 marks).

d) The essence of a partnership is the carrying on of a business in common. Discuss five scenarios that might lead to the dissolution of a partnership. (8 marks)

SECTION B (CHOOSE ONLY QUESTIONS)

QUESTION TWO

The following is the trial balance of Umoja Ltd at 31 March 2018.

	Shs.	Shs.
Issued share capital (ordinary shares of shs.1 each)		42,000
Leasehold properties, at cost	75,000	
Motor vans, at cost (used for distribution)	2,500	
Provision for depreciation on motor vans to 31 March 2017		1,000
Administration expenses	7,650	
Distribution expenses	10,000	
Stock, 31 March 2017	12,000	
Purchases	138,750	
Sales		206,500
Directors' remuneration (administrative)	25,000	
Rents receivable		3,600
Investments at cost	6,750	
Investment income		340
7% Debentures		15,000
Debenture interest	1,050	
Bank interest	162	
Bank overdraft		730
Debtors and creditors	31,000	24,100
Interim dividend paid	1,260	
Profit and loss account, 31 March 19X7		17,852
	311,122	311,122

You ascertain the following:

All the motor vans were purchased on 1 April 2015. Depreciation has been, and is to be, provided at the rate of 20% per annum on cost from the date of purchase to the date of sale. On 31 March 2018 one van, which had cost shs.900, was sold for shs.550, as part settlement of the price of shs.800 of a new van, but no entries with regard to these transactions were made in the books.

The estimated corporation tax liability for the year to 31 March 2018 is shs.12,700.

It is proposed to pay a final dividend of 10% for the year to 31 March 2018.

Stock at the lower of cost or net realizable value on 31 March 2018 is shs.16,700.

Required:

Prepare, without taking into account the relevant statutory provisions:

i. A profit and loss account for the year ended 31 March 2018(10 marks)
ii. A balance sheet at that date. (10 marks)

QUESTION THREE

a) Draw up a profit and loss appropriation account for the year ended 31 December 2017 and balance sheet extracts at the date, from the following:(10 marks)

i. Net profits shs.30,350
ii. Interest to be charged on capitals: W shs.2,000; P shs.1,500; H shs.900
iii. Interest to be charged on drawings; W shs.240; P shs.180; H shs.130
iv. Salaries to be credited: P shs.2,000; H shs.3,500.
v. Profits to be shared: W 50%; P 30%; H20%.
vi. Current accounts: balances b/f W shs.1,860; P shs.946; H shs.717
vii. Capital accounts: balances b/f W shs.40,000; P shs.30,000; H shs.18,000
viii. Drawings: W shs.9,200; P shs.7,100; H shs.6,900.

b) A limited has an authorized share capital of 200,000 shares of £1 each out of which only 150,000 share have been issued, Although the firm requested the shareholders to pay 80p per share, the shareholders were able to pay 50p per share.

Required:

Determine the:

i. Authorized share capital. (2marks)

ii. Issued share capital. (2marks)

iii. Called up share capital (2marks)

iv. Uncalled up share capital (2marks)

v. Paid up share capital (2marks)

QUESTION FOUR.

Hobbs does not keep proper books of account. You ascertain that his bank payments and receipts during the year to 31 December 2018 were as follows:

Reciepts		Payments	
	Shs.		Shs.
Balance 1 Jan 2018	572	Purchases	10,007
Cheques for sales	13,179	Expenses	2,950
Cash banked	14,005	Drawings	11,250
Balance 31 Dec 19X8	3,751	Delivery van	7,300
	31,507		31,507

From a cash notebook you ascertain:

	Shs.
Cash in hand 1 January 2018	62
Cash takings	16,300
Purchases paid in cash	1,850
Expenses paid in cash	375
Cash in hand 31 December 19X8	65
Drawings by proprietor in cash	Unknown

You discover that assets and liabilities were as follows:

	1 Jan 2018	31 Dec 2018
	Shs.	Shs.
Debtors	1,850	2,070
Trade creditors	1,250	1,420
Stock on hand	2,650	2,990

Depreciation on the van is to be provided at the rate of 10% per annum.

Required.

Prepare profit and loss account. (20 marks)

QUESTION FIVE

Mayanja Group owns and manages a small manufacturing business. The following balances have been extracted from her books of account at 31 January 1986:

	Dr	Cr
	Sh	Sh
Capital at 1 February 1985		171,120
Accounts payable		86,000
Bank and cash balance	5,400	
Accounts receivable	92,000	
Drawings	60,000	
Administration expenses	150,360	
Advertising expenses	12,000	
Factory direct wages	60,000	
Factory indirect wages	24,000	
Factory power	36,000	
Furniture and fittings (all offices)	18,400	
Heat and light	16,000	

Plant and equipment	276,800	
Motor vehicle (used by salesmen)	144,000	
Plant hire	4,000	
Provision for bad debts		3,200
Provision for depreciation 1 February 1985:		
– Furniture and fittings		9,200
– Plant and equipment		138,400
– Motor vehicle		24,000
Raw material purchases	228,000	
Rent rates	20,000	
Sales		829,440
Selling and distribution expenses	66,400	
Inventories at cost, 1 February 1985:		
– Raw materials	8,000	
– Work in progress	16,000	
– Finished goods	24,000	
	1,261,360	1,261,360

The following additional information is provided:

(i) Accruals at 31 January 1986 were:

Factory power	-	Sh.1,600
Rent and rates	-	Sh. 4,000

There was also prepayment of Sh. 800 for salesmen's motor vehicle insurance.

(ii) Inventories at 31 January 1986, were valued at cost as follows:

Raw materials	-	Sh. 15,200
Work in progress	-	Sh. 30,400
Finished goods	-	Sh. 45,600

(iii) Depreciation is to be charged on plant and equipment, motor vehicle, furniture and fittings at the rates of 20%, 25% and 10% per annum respectively on cost.

(iv) Expenditure on heat and light, and rent and rates is to be apportioned between the factory and office in the ratio of 9 to 1 and 3 to 2 respectively.

(v) The provision for bad debts is to be made equal to 5% of accounts receivable at 31 January 1986.

Required:

Using the vertical method, prepare Mayanja Group manufacturing, trading and profit and loss account for the year ended 31 January 1986 and a balance sheet as at that date. (20 marks)

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