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**University Examinations 2015/2016**

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION AND DIPLOMA IN PURCHASING AND SUPPLIES MANAGEMENT.

**BFD 2151: PRINCIPLES OF ACCOUNTING II**

**DATE: AUGUST 2016 TIME: 11/2 HOURS**

**INSTRUCTIONS: -** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Define a partnership and discuss the main features of a partnership deed. (5 marks)
2. Mwenda and Kinyua are in partnership sharing profits and losses in the ratio 3:2 respectively after crediting their accounts with interest of capital at 10% p.a and monthly salaries of sh. 7,500 and 10,000 respectively. Interest on drawing is charged at 5% p.a. Their trial balance as at 31/12/2015 after drawing profits and loss account is as follows:

DR CR

Sh. Sh.

Capital-Mwenda 250,000

Kinyua 200,000

Current –Mwenda 10,000

Kinyua 5,000

Drawings –Mwenda 112,500

Kinyua 107,500

Net profit 400,000

Fixed asset (cost)

Land and buildings 250,000

Plant and machinery 150,000

Motor vehicles 100,000

Accumulated depreciation

Land and building 50,000

Plant and machinery 250,000

Motor vehicle 25,000

Debtors 50,000

Stock 100,000

Cash 145,000

Creditors ­­­­­­­\_\_\_\_\_\_\_\_ 50,000

1,015,000 1,015,000

**Required:**

1. Draw the profit and loss appropriation accounts. (5 marks)
2. The current accounts. (5 marks)
3. Define the following terms and explain their treatment in financial accounting.
4. Bad debts and provision for bad and doubtful debts. (5 marks)
5. Accrued income and accruals. (5 marks)
6. Discount received and discount allowed. (5 marks)

**QUESTION TWO (20 MARKS)**

Monzo manufacturers Trial balance as at 31/12/2014.

DR CR

Sh. Sh.

Stock of raw materials 1/1/14 21,000

Stock of finished goods 1/1/14 38,900

Work in progress 1/1/14 13,500

Wages (direct shs. (180,000) 212,500

Factory overheads 119,500

Carriage inwards on raw materials 3,500

Purchase of raw material 370,000

Production machinery (cost 310,000) 230,000

Accounting machinery ( cost shs. 70,000) 12,000

General factory expenses 31,000

Lighting 7,500

Factory power 13,700

Administrative salaries 44,000

Sales representative salaries 30,000

Commission on sales 11,500

Rent 12,000

Insurance 4,200

General administration expenses 13,400

Bank charges 2,300

Discount allowed 4,800

Carriage outwards 5,900

Sales 1,000,000

Debtors and creditors 142,300 125,000

Bank 56,800

Cash 1,500

Drawings 20,000

Capital as at 1/1/2014 \_\_\_\_\_\_\_\_\_ 298,800

1,421,800 1,421,800

**Additional information**

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

Required:

1. Prepare Monzo manufactures manufacturing trading profit and loss accounts for the year ended 31/12/2014. (10 marks)
2. Balance sheet as at 31/12/2014. (10 marks)

**QUESTION THREE (20 MARKS)**

John a businessman does not maintain a complete record of his business transactions. The following is a summary of his cash transactions for the year ended 31st December 2013.

shs’000’

**Receipts**

Balance brought forward 7,950

Cash takings for the year 145,750

Cash from credit customers 24,910

**Payments**

Payment to suppliers 87,450

Salaries and wages 31,800

Cash purchases 12,455

Drawings by John 23,850

Purchase of equipment 3,975

Insurance of premiums 795

Rates 2,120

General expenses 1,272

**Additional information**

1. John’s assets and liabilities were as follows:

1/1/2013 31/12/2013

Sh ‘000’ Sh ‘000’

Business premises cost 79,500 7,950

Equipment 9,775 13,250

Stock 11,660 11,130

Trade debtors 23,320 31,005

Trade creditors 16,430 21,995

Prepaid insurance - 212

Prepaid rates - 530

Wages outstanding - 1,457.5

1. Fixed assets at year end are to be depreciated at 10%.

Required:

1. Trading profit and loss accounts for the year ended 31/1/2013. (10 marks)
2. Balance sheet as at 31/12/2013. (10 marks)

**QUESTION FOUR (20 MARKS)**

1. Briefly describe the following terms:
2. Share premium and share discount (4 marks)
3. Rights issue and bonus issue (4 marks)
4. Dividends and interest expenses (4 marks)
5. The following is a statement of financial position of Joan Company Ltd. as at 31st December 2015.

Non current assets Shs’000’ Issued share capital shs’000’

Land and building 2,500 200,000 shares of sh10 2,000

Plant and machinery 800

3,300 reserve 900

Inventory retention of profit 600

Debtors 1,450 long term loan 1,000

Cash 300 long term liabilities 1,300

5,800 5,800

Calculate the following ratios:

1. Current ratio (2 marks)
2. Quick ratio (2 marks)
3. Cash ratio (2 marks)
4. Gearing ratio (2 marks)

**QUESTION FIVE (20 MARKS)**

The trial balance of Majani enterprises for the year ended 31/12/2015 is as follows:

DR CR

Shs’000’ shs’000’

Motor vehicle 3,000

Fixtures 2,000

Stock 1/1/2015 1,000

Sales 15,000

Purchases 7,000

Rent 1,000

Salaries and wages 1,000

Electricity 500

Telephone 400

Motor vehicle expenses 500

Discount allowed 600

Discount received 500

Returns 1,000 500

Creditors and debts 4,000 3,000

Cash 2,000

Bad debts 500

Provision for bad and doubtful debts 500

Drawings 1,000

Capital 6,000

25,500 25,500

**Additional information**

1. Rent outstanding at the end of the year amounts to sh 200,000
2. Stock as at 31/12/2015 amount to sh 3,000,000
3. Salaries and wages paid in advance amounts to sh. 100,000
4. Accrued electricity is sh 50,000
5. Prepaid telephone bills is sh 100,000
6. Provision for bad and doubtful debts is to be set at 10% of debtors
7. Depreciation is provided on motor vehicle and fixtures at 10% and 20% respectively on cost.

Required:

1. Trading profit and loss account for the year ended 31/12/2015. (12 marks)
2. Balance sheet as at 31/12/2015. (8 marks)