



MURANGA UNIVERSITY COLLEGE
(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT**

COURSE CODE: HPS 2202

COURSE TITLE: FINANCIAL ACCOUNTING 2

DATE: DECEMBER, 2015

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer THREE (3) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 5 Printed Pages. Please Turn Over.



QUESTION ONE:

- a) The following trial balance was extracted from the books of Literary and Philosophical Club as at 30 September 2010:

	Sh	Sh
Balance at bank: current account	724,800	
Accumulated fund 1 October 2009		5,771,200
Land and buildings, at cost	3,700,000	
Debtors for subscription	62,000	
Furniture and fittings	1,874,000	
Provision for depreciation of furniture & fittings		284,000
Subscriptions		1,450,800
Lecturer's fees	920,000	
Lecturer's travel and accommodation expenses	358,000	
Donations		108,000
Camera and projector repairs	17,000	
Projectors, cameras and audio equipment	190,400	
Depreciation of equipment		54,400
Rates and water	277,000	
Lighting and heating	367,200	
Rental of rooms		495,000
Wages – Caretaker	880,000	
- Restaurant	1,600,000	
- Bar staff	800,000	
Purchase of food	1,565,800	
Stock – bar 1 October 2009	473,600	
Bar receipts		4,032,000
Bar purchases	2,842,000	
Restaurant receipts		3,642,000
Loan		1,600,000
Deposit account – bank	1,000,000	
Interest payable and receivable		36,000
Creditors for bar and food		<u>178,400</u>
	<u>17,651,800</u>	<u>17,651,800</u>

Additional information:

- The bar stock was valued at Sh. 642,800 as at 30 September 2010.
- It is expected that, of the debtors for subscriptions, Sh. 43,600 will not be collectable.
- The interest account is net. The loan is at a concessional rate of 4% while 10% has been earned on the deposit account. No changes have taken place all year in the principal sums involved.
- An invoice for Sh. 43,000 of wine had been omitted from the records at the close of the year although the wine had been included in the bar stock valuation.
- Depreciation for the year is to be provided as follows:
 - Furniture and fittings Sh. 194,000
 - Projectors, cameras, etc. Sh. 19,000.

Required:

- (a) Bar and restaurant trading account for the year ended 30 September 2010 (6 marks)
 (b) An income and expenditure account for the year ended 30 September 2010 (8 marks)
 (c) A balance sheet as at 30 September 2010 (7 marks)

1b) A Cash flow statement is a simple report that explains the various sources of cash and how the business puts this cash into use. IAS 7 recommends how cash flows should be presented and where the various sources of cash and payments should be classified.

With at least THREE examples in each case, outline the main categories in which the cash received and cash payments in a business made should be classified. (9marks)

QUESTION TWO:

- a) A limited has an authorized share capital of 1,000,000 shares of sh1.00 each out of which only 750,000 shares have been issued, Although the firm requested the shareholders to pay 80cents per share, the shareholders have only been able to pay 50cents per share.

Determine :

- i. Authorized share capital
- ii. Issued share capital
- iii. Called up share capital
- iv. Uncalled up share capital
- v. Paid up share capital (5 marks)

- b) David and Dorcas are in partnership sharing profits and losses equally. The following is the trial balance as at 30 June 2013.

	Dr. Sh.	Cr. Sh.
Buildings (cost Sh.750,000)	500,000	
Fixtures at cost	110,000	
Provision for depreciation: Fixtures		33,000
Debtors	162,430	
Creditors		111,500
Cash at bank	6,770	
Stock at 30 June 2012	419,790	
Sales		1,236,500
Purchases	854,160	
Carriage outwards	12,880	
Discount allowed	1,150	
Loan interest: Beth	40,000	
Office expenses	24,160	
Salaries and wages	189,170	
Bad debts	5,030	
Provision for bad debts		4,000
Loan from Beth		400,000
Capitals: David		350,000
Dorcas		290,000
Current accounts: David		13,060

Dorcas	2,890	
Drawings: David	64,000	
Dorcas	<u>56,500</u>	
	<u>2,446,040</u>	<u>2,446,040</u>

The following information has been provided:

- Stock, 30 June 2013, Sh.563,400
- Expenses to be accrued: Office Expenses Sh.960; Wages Sh.2,000
- Depreciate fixtures 10 per cent on reducing balance basis, buildings Sh.10,000
- Reduce provision for bad debts to Sh.3,200.
- Partnership salary: Sh.8,000 to David. Not yet entered
- Interest on drawings: David Sh.1,800; Dorcas Sh.1,200.
- Interest on capital account balances at 10 per cent.

Required:

- Income statement and appropriation account for the year ended 30 June 2013 (8 marks)
- Balance sheet as at that date. (7 marks)

QUESTION THREE:

- Highlight FIVE contents of a partnership deed. (5 marks)
- The following is the trial balance of Flavour Ltd at 31 March 2008.

	Sh.	Sh.
Issued share capital (ordinary shares of Sh.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 2007		1,000
Administration expenses	7,650	
Distribution expenses	10,000	
Stock, 31 March 2007	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 2007		<u>17,852</u>
	<u>311,122</u>	<u>311,122</u>

The following additional information is available:

All the motor vans were purchased on 1 April 2005. 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 2008 one van, which had cost Sh.900,000 was sold for Sh.550,000 as

part settlement of the price of Sh.800,000 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 2008 is Sh.12,700.

It is proposed to pay a final dividend of 10% for the year to 31 March 2008.

Stock at the lower of cost or net realizable value on 31 March 2008 is Sh.16,700.

Required:

- i. Income statement for the year ended 31 March 2008: (8 marks)
- ii. Balance sheet at that date (7 marks)

QUESTION FOUR:

- a. Highlight FIVE categories of accounting ratios useful in analyzing financial statements. In each case, provide ONE ratio. (5 marks)
- b. Kimeu does not keep proper books of accounts. You ascertain that his bank payments and receipts during the year to 31 December 2012 were as follows:

Receipts		Payments	
	Sh.		Sh.
Balance 1 Jan 2012	572	Purchases	10,007
Cheques for sales	13,179	Expenses	2,950
Cash banked	14,005	Drawings	11,250
Balance 31 Dec 2012	<u>3,751</u>	Delivery van	<u>7,300</u>
	31,507		31,507

From a cash notebook you ascertain:

	Sh.
Cash in hand 1 January 2012	62
Cash takings	16,300
Purchases paid in cash	1,850
Expenses paid in cash	375
Cash in hand 31 December 2012	65
Drawings by proprietor in cash	Unknown

You discover that assets and liabilities were as follows:

	1 Jan 2012	31 Dec 2012
	Sh.	Sh.
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 20% per annum.

Required:

From the above pieces of information, you are required to prepare:

- Income statement as at 31st December, 2012 (8 marks)
- Balance sheet as at 31st December, 2012 (7 marks)