



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2011/2012

FIRST YEAR, SECOND SEMESTER EXAMINATIONS FOR THE DEGREE OF
BACHELOR OF COMMERCE AND FIRST YEAR, SECOND SEMESTER, BACHELOR
OF BUSINESS INFORMATION TECHNOLOGY.

HBC 2104: INTRODUCTION TO ACCOUNTING II

DATE: APRIL 2012

TIME: 2 HOURS

INSTRUCTIONS: *Answer all question*

QUESTION ONE (30 MARKS)

The following extracts were obtained from the books of Mema Ltd AS AT 31.10.2011.

	DR (SH).	CR (SH).
STOCKS, 1.11.010	500,000	
Freehold Promises	2,400,000	
Notes receivable	300,000	
Purchases	2,800,000	
Salaries and wages	850,000	
Sales		5,200,000
Fixtures and fittings	250,000	
Discount allowed	75,000	
Discounts received		45,000
Plant and machinery	1,400,000	
Rate and licences	56,000	
Advertising	104,000	

Insurance	38,000	
General expenses	72,000	
Provision for bad debts		18,000
Notes payable		140,000
Trade creditors		400,000
Cash	24,000	
Bank overdraft		186,000
Water and electricity	60,000	
Preference dividends in arrears		40,000
100,000 ordinary shares sh. 20 each		2,000,000
Rent income		500,000
Profit and loss account 1.11.010		200,000
Share premium		400,000
General reserves	_____	<u>200,000</u>
10% cumulative preference shares sh.20 each	<u>200,000</u>	<u>200,000</u>

Notes:

1. Depreciate plant and machinery at 8% on cost fixtures and fittings at 10% pm cost.
2. Stock as at 31.10.11 sh.600, 000.
3. Prepaid insurance sh. 5000 interest on overdraft had accrued by sh.18, 600 and salaries had accrued b y sh.186, 000.
4. Decrease provision for bad debts to 2%.
5. The company and Kenya Revenue Authority have assessed tax for the year and mutually agreed to be sh. 200,000.
6. Director proposed to
 - i. Transfer sh. 100,000 to the general reserve.
 - ii. Pay all preference dividends in areas and for the year.
 - iii. Pay 15% dividends on ordinary share capital.
 - iv. Paysh.80, 000 and sh. 120,000as audit fees and directors fees respectively.

Required:

Prepare for Mema Ltd.

- a. Trading, profit and loss account for the year ended 31.10.2011. (10 Marks)
- b. Profit loss appropriation account. (10 Marks)

c. Balance sheet as at 31.10.11 (15 Marks)

QUESTION TWO (15 MARKS)

- a. Using relevant examples, explain the meaning of the following terms as used in accounting for partners and the relevant accounting treatment.
- i. Salary to a partner (2 Marks)
 - ii. Interest on partners capital accounts (2 Marks)
 - iii. Partners current accounts (2 Marks)
- b. The following balances were extracted from the books of Mbili and tatu partnership for the year ended 31.12.011.

	Sh.
Capital accounts (1.1.011) mbili	60,000
Tatu	80,000
Current accounts (1.1.011) mbili	15,000
Tatu (DR)	9,000
Drawings for the year mbili	6,000
Tatu	9,000
Net profit for the year	32,450

The partnership deed provides for:

1. Interest allowed on partners capital at the rate of 10%p.a.
2. Tatu to be allowed a monthly salary of sh. 1,100.
3. Interest charged on drawing at 10% p.a.
4. Profit and losses to be shared between mbili and tatu in the ratio 2:3 respectively.

Required:

Partners current accounts as at 31.12.11 (9 Marks)

QUESTION THREE (15 MARKS)

The following schedule of balances was extracted from the books Njambi enterprises as at 31st August 2011.

<u>Stocks as at 1.9.010</u>	<u>sh. (0000)</u>
Raw materials	13,550
Work in progress	6,500
Finished goods	12,800
<u>Purchases and expenses for the year to 3.8.11</u>	<u>sh.(000)</u>
Raw materials	237,650

Indirect expenses	1,850
Direct expenses	53,230
Factory lightning and heating	4,550
Office lightning and heating	1,975
Printing and stationery	1,264
Postage and telephone	520
Factory salaries	11,500
Office salaries	9,900
Factory insurances	450

Depreciation

Factory equipment and machinery	5,000
Office equipment and machinery	650
Office expenses	1,680
Advertising	850
Sales of finished goods	378,150

Other information

- i. Finished goods manufactured are transferred from the factory at a manufacturing price of cost of production plus 10%.
- ii. Stocks at 31.8.011 sh.(000)

Raw materials	24,000
Work in progress	7,987
Finished goods	18,050
- iii. Prepayment as at 31.8.11 sh. (000)

Factory insurances	116
Other insurances	45

Accruals as at 31.8.11 sh.(000)

Direct wages	1,342
Factory heating and lighting	197
Office heating and lighting	43
Factory power	350

Required:

Prepare the manufacturing account for the year ended 31st August 2011.

QUESTION FOUR (10 MARKS)

The following is the receipts and payments account of Nyambene social club for the year ended 31st December 2011.

	SH.		SH.
Entrance fees	108,800	balance b/d	
Subscriptions	277,000	1.1.2011	45,000
Donations	100,000	bar purchases	720,000
Dance tickets	49,000	bar man salaries	72,000
Receipts from debtors	800,000	bank deposit	100,000
		Bar expenses	18,800
		Club expenses	41,200
		Sport equipments	
140,000		Balance c/d	<u>197,000</u>
	<u>1,334,800</u>		<u>1,334,800</u>
Balance b/d	197,800		

Notes:

- I. Balances as at 1.1. 2011 sh.
 - Subscription in advance 16,000
 - Subscription in arrears 36,000
 - Bar stock 25,000
 - Bar debtors 400,000
- II. Balances as at 31.12.2011 sh.
 - Bar stock 70,000
 - Bar debtors 900,000
 - Barman's salaries owing 2,400
- III. Subscriptions received during the year included sh. 22,000 for the year ended 31st December 2010 and sh. 4,000 for the ending 31st December 2012.
- IV. Subscriptions in arrears for more than one year are to be written off.

For the year ended 31st December 2011 prepare:

- a. Bar trading account (4 Marks)
- b. Income and expenditure account (6 Marks)

