

MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

***FIRST* YEAR *SECOND* SEMESTER**

**SCHOOL OF BUSINESS & ECONOMICS**

**BACHELOR OF SCIENCE (AGRICULTURAL ECONOMICS AND RESOURCE MANAGEMENT)**

**COURSE CODE: ARE 143**

**COURSE TITLE:** **FINANCIAL ACCOUNTING**

**DATE: 13TH MAY 2016 TIME: 8.30AM-10.30AM**

**INSTRUCTIONS TO CANDIDATES**

1. Answer Question **ONE** and any other **THREE** questions
2. Do not write on the question paper

*This paper consists of* ***6*** *printed pages. Please turn over.*

**QUESTION ONE**

1. Discuss any five principal external users of accounting information contained in the financial statements clearly stating the information they need. **(5 marks)**
2. Discuss any four qualitative characteristics of good accounting information **(4 marks )**
3. Pastor Ototo is engaged in commercial farming activity . The following trial balance of his farm is drawn as at 31.3.2015.

**Particulars DR CR**

 **sh. sh**

Land and building 1,200,000

Capital 1,050,000

Stock 1st April ,2014

 Crops 20,000

 Fertilizers 5,000

 Cattle 15,000

 Sheep 10,000

Purchases

 Seeds 5,000

 Cattle 10,000

 Sheep 5,000

 Cattle Feed 5,000

Sales

 Cattle 75,000

 Sheep 50,000

 Milk 25,000

 Vegetables 75,000

 Paddy 50,000

Bank loan from rural development bank 250,000

Cash 20,000

Bank 80,000

Sundry debtors 75,000

Bank interest expense 20,000

Farm machinery 125,000

Salaries :

 Manager 15,000

 Staff 35,000

Expenses:

 Crops 15,000

 Livestock 10,000

 Machinery Repairs 5,000

Sundry Creditors 35,000

Cooperative Loan ................. 65,000

 1,675,000 1,675,000

**Additional information.**

i) Closing stock (31.3.2014) sh.

 Cattle 25,000

 Sheep 15,000

 Cattle feed 10,000

 Seeds 10,000

 Crops 8,000

 Fertilizers 22,000

ii) Depreciation is to be provided for at 10% on farm machinery

iii) Farm produce consumed by the livestock sh . 7,500

iv) Salaries are to be apportioned as :

 60% crops

 40% livestock

v)Interest accrued on cooperative loan sh. 4,000

vi) Personal consumption : sh.

 Milk 3,000

 Vegetables 2,000

 Paddy 8,000

vii) No depreciation is to be charged on land and building

**Required .**

Prepare the statement of comprehensive income of Pastor Ototo for the year ended 31st ,March 2015 and Statement of Financial Position as that date.

 **(16 Marks).**

**QUESTION TWO**

a) Discuss any five objectives of farm accounting . **(5 marks)**

b) The following information relates to a farm . You are required to pass journal entries to show the effect of the transactions.

1. The farmer purchased a tractor worth sh. 20,000 and paid by cheque.
2. The farmers family consumed crops worth sh. 15,000.
3. Labourers consumed milk to the extent of sh .10,000
4. sold two cows for sh.20,000 each ,and received sh.25,000 by cheque and the balance to be received later.
5. acquired farm inputs worth sh. 10,000 on credit .

**Required**

Journal entries to record the above transactions and post to the ledger accounts **(10 Marks )**

**QUESTION THREE**

a) Discuss briefly the following methods of stock taking.

 i) Periodic method

 ii) Perpetual method **(4 marks)**

b) The following data relates to XYZ Business

**Dates Units Price Per Unit**

January 1 Opening stock 1,500 Sh.20 each

February 10 Purchases 750 Sh.25 each

March 15 Purchases 600 Sh. 22 each

March 25 Sold 1,800 -

April 10 Sold 750 -

May 15 Purchases 600 Sh. 25 each

June 10 Sold 750 -

**Required**

1. Using **FIFO** Method of inventory valuation calculate the value of cost of goods sold and value of ending inventory **(6 marks)**
2. Will the value of cost of goods sold and ending inventory be different if **LIFO** method was used? **(5 marks)**

**QUESTION FOUR**

The following particulars relate to All Organic G.M.O Farm cash book records for year ended 31.12.2015

**Receipts** **Payments**

Bal.b/f Sh sh.

Cash in hand 9,000 Fertilizer 5,400

1 organic G.M.O Cow 15,000 Veterinary services 2,000

1 organic G.M.O pig 6,000 Wages 5,000

Equipment rental 12,000 Building repairs 15,000

 Private drawings 1,000

*Current year Receipts* *Current year Payments*

Crops sold 5,000 Crop supplies 4,000

Animals sold 3,000 Fuel oil 3,600

Machine rentals 4,500 Veterinary supplies 2,000

Other sources 2,000 Wages 8,000

 Private drawings 2,000

 House repairs 6,000

 ............ Cash balance c/d 2,500

 56,500 56,500

**Required**

1. Cash analysis book for the year ended 31.12.2015, having columns for crops, livestock, machine rentals, others and private**. (10 marks)**
2. Discuss the significance of the design and use of the Cash Analysis Book over the cash book **(5 Marks)**

**QUESTION FIVE**

a) Discuss any five causes of depreciation **(5 marks )**

**b)** A farmer purchased a tractor costing sh. 60,000 on 1.1.2014. The accounting year of the Farm ends on 31st December every year. The Farm further purchased another tractor on 1.1.2015, costing sh. 40,000 . On 31st December 2015 the tractor that was bought on 1.1.2014 became obsolete and was sold for sh. 5,000.

**Required**

Show how the tractor account would appear in the books of the farm. The depreciation is to be charged at 10% on written down value method**.**

 **(4 marks)**

**c)** Discuss the significance of the following types of records in relation to farm accounting.

1. Production records
2. Special or Supplementary records **(6 marks )**

**.................................................END..............................................**