

MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

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

**SCHOOL OF BUSINESS & ECONOMICS**

**BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: ECO 102**

**COURSE TITLE:** **INTRODUCTION TO FINANCIAL ACCOUNTING II**

**DATE: 4TH 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* ***7*** *printed pages. Please turn over.*

**QUESTION ONE**

**a)** Discuss any four salient features of single entry system of book keeping. **(8 marks)**

**b)** Discuss any three disadvantages ofsingle entry system of book keeping **(3 marks)**

b) ROBATO runs a second hand furniture business from a shop which he rents. He does not keep complete accounting records ,but is able to provide you with the following information about his financial position as at 1.04.2014

sh.

Stock of furniture 3,210,000

Trade debtors 2,643,000

Trade creditors 1,598,000

Motor vehicles 5,100,000

Shop fittings 4,200,000

Motor vehicle expenses 432,000

He has also provided a summary of his bank account for the year ended 31.03.2015.

sh. sh

Balance b/f 2,420,00 Payments to creditors 22,177,000

Cheques from debtors 44,846,000 Electricity 1,090,000

Cash sales 3,921,000 Telephone 360,000

Rent 2,000,000

Advertising 1,430,000

Shop fittings 2,550,000

Insurance 946,000

Motor vehicle expenses 2,116,000

Drawings 16,743,000

................. Balance c/d 1,775,000

51,187,000 51,187,000

additional information

1. All cash and cheques received were paid into the bank account immediately
2. Depreciation is to be written off 20% on motor vehicle and 10% for shop fittings calculated on book values at 1.4.2014 plus any additions during the year.
3. At 31.3.2015 motor vehicle expenses owing were sh. 291,000 and insurance paid in advance was sh. 177,000
4. Included in the amount paid for shop fittings were ;

- A table bought for sh. 300,000 which ROBATO sold during the year.

-Some wooden shelving ,costing sh. 250,000 which ROBATO using in buiding an extension to his house.

(v) The following were closing balances as at 31.3.2015

sh.

Trade debtors 4,012,000

Trade creditors 2,445,000

Stock of furniture 4,063,000

**Required**

a) For the year ended 31.3.2015

1. Compute ROBATO's sales and purchases **(4 Marks )**
2. Prepare the statement of comprehensive income (**5 marks).**
3. Statement of financial position as at that date **(5 marks).**

**QUESTION TWO**

a) Discuss any five principal external users of accounts for non-profit making organizations clearly stating the information they need. **(5 marks)**

b) The information given below was extracted from the books of South B Social Service Dispensary for the year ended 31st October 2014

**Receipts and payments account for the year ended 31st October 2015.**

**RECEIPTS**  SH.

Interest on investment (7% p.a) 210,000

Dinner collections 313,500

Subscriptions 1,439,880

Donations 435,000

**PAYMENTS**

Salaries 825,000

Medicines 917,700

Operating expenses 22,500

Doctors honorarium 270,000

Equipment 450,000

Petty expenses 13,830

**Additional information**

**2014 2015**

**Sh. Sh.**

Cash in hand 213,900 113,250

Subscription due 7,200 8,000

Subscription received in advance 1,920 3,000

Stock of medicine 264,300 292,200

Value of equipment 636,000 948,000

Building (cost less depreciation) 1,200,000 1,140,000

**Required**

1. Prepare the income and expenditure account for the year ended 31st October 2015.  **(5 marks )**
2. Statement of financial position as at 31st October 2015 **(5 marks )**

**QUESTION THREE**

The following balances were extracted from the accounting records of XM Manufacturing Limited as at 31st December,2015

sh

Stock at 1st January 2015:

Raw material 13,550

Work-in- progress 6,500

Finished goods 12,800

Purchases and expenses for the year to 31st December 2015:

sh

Raw materials 237,650

Indirect materials 1,850

Direct wages 53,230

Factory power 4,550

Factory heating and lighting 1,975

Office heating and lighting 930

Printing and stationery 1,264

Postage and telephone 520

Factory salaries 11,500

Office salaries 9,900

Factory insurances 1,210

Depreciation : Factory equipment and machinery 5,000

Office equipment and machinery 650

Office expenses 1,680

Advertising 850

Sales of manufactured produce to 31st December, 2015 378,150

**Additional information**

i) Stock at 31st December 2015 sh

Raw materials 24,000

Work-in-progress 7,987

Finished goods 18,050

ii) Prepayments at 31st December,2015

Factory insurances 116

Other insurances 45

iii) Accruals

Direct wages 1,342

Factory heating and lighting 197

Office heating and lighting 43

Factory power 350

**Required**

Manufacturing trading profit and loss account for the year ended 31.12.2015  **(15 marks)**

**QUESTION FOUR**

A ,B and C are in partnership sharing profits and losses in the ratio of 6:3:1 respectively . Their partnership agreement provides the following;

1. Interest on capital at the rate of 4% per annum.
2. Interest chargeable on drawings at 5% per annum.
3. B and C to receive salaries of sh. 22,000 each per annum.

The following information is available for the year ended 31st December 2015.

1. Partners account balances as at 1.1.2015

Capital accounts : sh.

A- 200,000

B- 80,000

C- 20,000

Current Accounts

A- 6,200

B- 3,800

C- 1,900 (debit)

1. Drawings during the year.

A- 24,000

B- 18,000

C- 18,000

1. Net profit for the year ended 31st December 2015 was 105,600

**Required**

a) Profit and loss appropriation account for the year ended 31st December, 2015 **(6 Marks)**

b) Partners current accounts **(6 marks)**

**c)** Explain the treatment of debit balance on partners current accounts at the end of the year **(3 marks)**

**QUESTION FIVE**

a) Distinguish between the following terms as used in company accounts.

1. A rights issue and a bonus issue
2. Issued capital and share premium
3. Authorized share capital and paid up share capital. **(6 marks)**

b) X limited was formed with an authorized share capital of 100,000 ordinary share of sh. 100 each . These shares were offered to the public on the following terms :

On application : sh. 25 per share

On allotment sh. 45 per share including premium

On first call and final call sh .50 per share.

Applications were received for 100,000 shares. Allotment money due was received ,the first and final call was made after two months. all moneys due on the shares allotted was received on the due date.

**Required**

The journal entries to record the above transactions**. (9 Marks)**

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