

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2014/2015**

**YEAR I SEMESTER II EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE/PURCHASING AND SUPPLIES MANAGEMENT**

**HBC 2104: FINANCIAL ACCOUNTING II**

**DATE:AUGUST 2015 TIME: 2 HOURS:**

**INSTRUCTIONS: ANSWER QUESTION ONE( COMPULSORY) AND ANY OTHER TWO QUESTIONS.**

**QUESTION ONE 30 MARKS**

a. Jane Njeri started a business on 1st January 2010 with Ksh 150000 in the bank account. She ascertains that at 31st December 2010, her stock was valued at cost ksh 39500 a motor van which had cost ksh 28000 during the year and which had depreciated by ksh 5500, debtors of ksh 49700 expenses prepaid of ksh 3500 bank balance ksh 25644, cash balance 3550 trade creditors ksh 15300 and expenses owing of ksh 4700. His drawings were cash ksh 1000 per week for 50 weeks and cheque payments amounting to ksh 9000.

Required

Draw up a statement of affairs to show the profit or loss for the year. (10 marks)

b. Andrew, Becky and Collins are in a partnership. The capitals they have invested are ksh 80000 60000 and 60000 respectively. The partners have agreed to the following appropriation scheme:

i. Interest is to be allowed on capital at 10% p.a

ii. Becky and Collins are to receive salaries of ksh 20000 and 10000 respectively.

iii. Profits are to be shared as follows:

 Andrew 40%

 Becky 30%

 Collins 30%

iv. Interest to be charged on drawing at 10% p.a . During the year ended 31st December 2012, the partners withdrew the following amounts from the partnership.

 Andrew 15000(1 June 2012)

 Becky 5000(1 April 2012)

 Collins 10000 (1 August 2012)

v. The partners had the following balances on their current accounts as at 1st January 2012.

 Andrew 2500 (credit)

 Becky 4000 (Debit)

 Collins 3000 (credit)

During the financial year ended 31/12/2012 the partnership earned a net profit of ksh 120000

Required

i. Draw up the appropriation account for the year ended d31 December 2012.

 (10 marks)

ii. The partners current accounts for the year ended 31 December 2012. (10 marks)

**QUESTION TWO**

a. The following is a summary of the receipts and payments of Kisumu Sports and Athletics Club during the year ended 30 September 2012.

Kisumu S and A Club

Receipts and payments Account for the year

Ended 30 September 2012

|  |  |  |  |
| --- | --- | --- | --- |
|  | Sh |  | sh |
| Cash and bank balances b/f  | 12470 | Secretary’s expenses  | 2240 |
| Sales of annual dinner tickets | 9900 | Rent | 13000 |
| Members subscription | 43880 | Purchase of office equipment | 8700 |
| donations | 1500 | Donations to charities | 870 |
|  |  | Meeting expenses | 5590 |
|  |  | Expense of annual dinner | 12130 |
|  |  | Heating n lighting | 4460 |
|  |  | Stationery n printing | 3200 |
|  |  | Cash n bank balances b/f | 17560 |
|  | 67750 |  | 67750 |

The following valuations are also available

|  |  |  |
| --- | --- | --- |
| As at 30 September | 2011 | 2012 |
| Subscriptions in arrears | 1500 | 900 |
| Subscriptions in advance | 750 | 350 |
| Stock of stationery | 670 | 830 |
| Meeting expenses prepaid | 1500 | 0 |
| Heating n lighting accrued  | 1100 | 830 |

On 1 October the Kisumu S & A club owned office equipment costing ksh 25000 which had been depreciated by ksh 5000. The policy of the club is to depreciate office equipment at 10% p.a using the straight line method applied on a full year basis. The club did not sell any equipment closing the year ended 30 September 2012.

Required

Prepare an Income and Expenditure Account for the Kisumu S & A club for the year ended 30 September 2012 and a balance sheet as at that date. (20 marks)

**QUESTION THREE**

a. Name and explain four characteristics of ordinary shares. (6 marks)

b. Ouma Olago had the whole of his stock stolen from his warehouse on the night of 20th August 2008. Also destroyed were his sales and purchases journals but the sales and purchases ledgers were salvaged. The following facts are known;

i. Stock was known at the last balance sheet date ,31st December 2007, to be sh 124800 at cost.

ii. Receipt from debtors during the period 1st January 2008 to 20th August 2008 amounted to Sh 317450. Debtors were: at 31st December sh 142780 and at 20th August 2008 sh 123330.

iii. Payments to creditors during the period 1st January to 20th Auguts 2008 amounted to sh 172700. Creditors were at 31st December 2007, sh sh 76330 and at 20th August 2008, sh 62890.

iv. The margin the sales has been constant at 25%

Required

Prepare Ouma Olago’s trading account for the period 1st January to 20th August 2008.

 (8 marks)

Determine the cost of goods stolen. (6 marks)

**QUESTION FOUR**

a. Outline

 i. The prime costs in manufacturing Accounts. (3 marks)

 ii. The importance of ratios in financial analysis. (4 marks)

b. Televat services Ltd had the following balance sheets for 2010 and 2011.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2010 | 2010 |  |  | 2011 |  |
|  | Sh | Sh | Sh | Sh | Sh | Sh |
| Fixed assets |  |  |  |  |  |  |
| Land and premises |  |  |  |  |  |  |
| Cost (208 000) |  |  | 176000 |  |  | 160000 |
| Plant and machinery  |  |  |  |  |  |  |
| Cost (76000) |  |  | 57000 |  |  |  |
| (Cost 100000) |  |  |  |  |  | 78400 |
|  |  |  | 233000 |  |  | 238400 |
| Current assets |  |  |  |  |  |  |
| Stock |  | 26400 |  |  | 25200 |  |
| Trade debtors |  | 71200 |  |  | 50400 |  |
| Bank |  | - |  |  | 28400 |  |
|  |  | 97600 |  |  | 104000 |  |
| Current liabilities |  |  |  |  |  |  |
| Trade creditors | 88000 |  |  | 46400 |  |  |
| Bank overdraft | 54600 | (142600) |  | - | (46400) |  |
|  |  |  | (45000) |  |  | 57600 |
|  |  |  | 188000 |  |  | 296000 |
| Loan (repayable Dec 2011) |  |  |  |  |  | (80000) |
|  |  |  | 188000 |  |  | 216000 |
| Financed by: |  |  |  |  |  |  |
| Capital bal 1 January |  | 168000 |  |  | 188000 |  |
| Add Net profit for  |  |  |  |  |  |  |
| The year |  | 72000 |  |  | 88000 |  |
|  |  | 24000 |  |  | 276000 |  |
| Less drawings |  | (52000) |  |  | (60000) |  |
|  |  |  | 188000 |  |  | 216000 |

Required

Draw up a cash flow statements for the year ended 31st December 2011. (13 marks)