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**University Examinations 2015/2016**

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE AND BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT

**BFC 3175: FINANCIAL ACCOUNTING II**

**DATE: NOVEMBER 2015 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Explain why a sole proprietor may wish to convert his business into a partnership (6 Marks)
2. Briefly describe the treatment of work in progress while preparing manufacturing account.

(3 Marks)

1. Explain the composition of prime cost (2 Marks)
2. Distinguish reserve from share capital (3 Marks)
3. Differentiate between ordinary share capital and preference share capital (6 Marks)
4. Highlight five provisions of the partnership act which help partners to distribute profits in the absence of a formal agreement. (5 Marks)
5. Using clear examples differentiate between preparation of account for sole trader and that of company. (5 Marks)

**QUESTION TWO (20 MARKS)**

A wholesale clothing company was burgled on the night of 14th December, 2014. The raiders stole all they days cash taking together with the petty cash and a selection of most expensive clothing.

On 30th November 2014, the owner had taken a physical count for which the cost was evaluated as 3,254,000. The stock of clothing left after the burglary amounted to Sh. 1,130,000. Deliveries from suppliers of further stock items between 1st and 14th December 2014, well invoiced at Sh 578,000 after deduction of trade discount of Sh 73,000 sales to retail customers (at selling price) when

**Cash Credit**

1st to 6th December 140,000 625,000

7th to 13th December 165,000 867,000

14th December 26,000 120,000

The cash book showed that during the period 1st to 14th December 2014

1. The cash taken from 1st to 13th December inclusive had been banked intact
2. Cheque for Sh 16,800 and Sh 19,200 had been drawn to pay staff wages
3. Credit customers had paid cheque amounting to Sh 158,600 in bulk settlement of account totalling Shs 1,610,000.
4. The company had paid creditors a total of Sh. 1,712,000 by cheque after deducting cash discount of Sh. 94,000
5. The petty cash imprest account had been restored to its established level of Sh. 2,500 on 1st December 2014 by a withdrawal of Sh. 1000. Subsequent disbursement to 14th December amounted to Sh. 1,400. Account balances in the firms books on 30th November 2014 were:

**Shs**

Bank debit 662,500

Cash 12,900

Petty cash 1,500

Gross profit on sales had been at the rate of 30% throughout 2014 budget on 7th December, as part of sales campaign this was reduced to 25% for the reminder of the month.

**Required:**

i) Calculate the amount of cash and the value of stock and cost stolen (9 Marks)

ii) The balance on the bank account at the close of business on 14th December 2014 (6 Marks)

iii) Write short note on the importance of completing account for organization that does not keep complete record. (5Marks)

**QUESTION THREE (20 MARKS)**

BCOM and BBA operate a partnership business. The partnership business provide for:

1. Profit aid losses to be shared between BCOM and BBA in the ratio of 5:3
2. BBA to receive a salary of Sh. 73,000 per annum for managing the business.
3. Drawing to charged an interest of 12% per annum on the balances at the end of the year.
4. The following balances relate to the firm as at 30th April 2013.

**Shs**

Capital; BCOM 800,000

BBA 600,000

Drawing BCOM 45,000

BBA 25,000

Creditors 500,000

Net profit 193,000

5 Year loan 500,000

Current asset 830,000

Bank overdraft 336,000

Current account BCOM 100,000 (Cr)

BBA 70,000 (Cr)

Fixed Asset 2,207,000

**Required:**

i) Profit and loss appropriation account for the year ended 30th April 2013 (8 Marks)

ii) Partners current account (4 Marks)

iii) Balance sheet as at 30th April 2013 (8 Marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss the classification of cost of a manufacturing enterprise (10 Marks)
2. Describe the capital structure of a limited company (10 Marks)

**QUESTION FIVE (24 MARKS)**

1. Distinguish between a receipt and payment account and an income and expenditure account

(4 Marks)

1. The following is the receipt and payment account for Mwisho women club as at 31st December 2012.

|  |  |  |  |
| --- | --- | --- | --- |
| **Receipt** | **Shillings** | **Payment** | **Shillings** |
| Cash at bank | 125,000 | Salaries | 135,000 |
| Subscription | 525,000 | Office expenses | 12,500 |
| Annual diner receipt | 268,000 | Annual diner expenses | 15,000 |
| Donation | 225,000 | Telephone expenses | 20,000 |
| Dividend on shares | 25,000 | Other expenses | 750,000 |
|  |  | Share purchases | 22,000 |
|  |  | Postage | 63,400 |
|  |  | Maintenance of plant | 135,100 |
|  | **1,168,000** |  | **1,168,000** |

The following additional information is available.

i) The value of building owned by the club stood at Sh. 5,000,000 as at 1st January 2012 with depreciation being provided at the rate of 2% per annum on cost.

ii) The club had 200 members, no subscription had been received in advance but subscriptions

were outstanding to the extent of Sh. 10,000 as at 31st December 2011 and Sh. 15,000 as at

31st December 2012.

iii) Each member was paying subscript at the rate of Sh. 2,500 per annum.

iv) Postage stump in the custody of the secretary as at 1st January 2012 and 31st December 2012

were valued at Shs. 2,500 and Shs. 1,500 respectively.

v) The investment in shares as at 1st January 2012 stood at Shs. 50,000

vi) An amount of Shs. 2,500 in respect of annual dinner receipt was yet to be received as at

31st December 2012

vii) Telephone charges the paid for in advance to the extent of Shs. 3,000

**Required:**

1. Income and expenditure account for the year ended 31st December 2012. (10 Marks)
2. Balance sheet as at 31st December 2012 (10 Marks)