



# **UNIVERSITY OF EMBU**

**2016/2017 ACADEMIC YEAR**

**SECOND SEMESTER EXAMINATIONS**

**FIRST YEAR EXAMINATION FOR DIPLOMA IN PURCHASING AND SUPPLIES**

**BBA 104: FINANCIAL ACCOUNTING**

**DATE: APRIL 7, 2017**

**TIME: 8:30-10:30AM**

**INSTRUCTIONS:**

**Answer Question ONE and ANY Other TWO Questions.**

**QUESTION ONE (30 MARKS)**

- a) For accounting information to be able to effect the purpose for which it was meant, it must satisfy certain attributes. Discuss. (6 marks)
- b) Differentiate between Marginal costing and Absorption costing. (6 marks)
- c) Discuss the main concepts in accounting. (6 marks)
- d) Outline three advantages of partnerships over sole traders. (6 marks)
- e) Discuss the characteristics of goodwill. (6 marks)

**QUESTION TWO (20 MARKS)**

Discuss five major accounting principles. (20 marks)

**QUESTION THREE(20 MARKS)**

- a) Intel Solutions Ltd was formed with the legal right to be able to issue 400000 shares of Sh 4 each. However they actually issued 300000 of which none was fully paid. So far Intel Solutions Ltd has made calls of Sh 3 per share. All shares have been paid by the shareholders except for Sh 150000 shares whose shareholders have only paid Sh 1 per share.

**Required:**

Determine

- a) Authorized share capital
- b) Issued share capital
- c) Called up capital
- d) Calls in arrears
- e) Paid up capital.

(20 marks)

**QUESTION FOUR (20 MARKS)**

A manufacturing firm produced and sold 10,000 units during the month of April. The following additional information was also provided:

Direct materials	Sh 16 per unit
Direct labor	Sh 8 per unit
Variable overheads	Sh 4 per unit
Fixed overheads	Sh 72,000

Selling price per unit is Sh 40.00

**Required:**

A statement showing the marginal cost and profit or loss for the month of April. Calculate the break-even point.

(20 marks)

**QUESTION FIVE (20 MARKS)**

- a) Discuss the salient features that differentiate a Public Limited Company and a Private Limited Company.

(10 marks)

b) Mogire, Waituka and Kipkorir are in partnership. Mogire does the accounting work while Waituka

offers legal services and for each earns a salary of Sh 10,000 per month. The profit or loss is shared equally. The profit for the month was Sh 110,000.

- i) The current account for the partnership
- ii) The profit and loss appropriation account. (10 marks)

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