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

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

# **UNIVERSITY EXAMINATIONS 2014/2015**

FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION

**HCB 0108: INTRODUCTION TO ACCOUNTING II**

**DATE: APRIL 2015 TIME: 1 ½ HOURS**

**INSTRUCTIONS:**

**ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**==========================================================**

**QUESTION ONE**

G. Ngotho had the following assets and liabilities on the date shown:

(An X indicates that the amount has to be calculated )

1.4.2006 31.3. 2007

Shs shs

Premises 350 000 35 000

Furniture 60 000 53 000

Motor car 18000 x

Stock in trade 62800 74300

Trade debtors 39 500 40 700

Trade creditors 79600 93000

Loan from industrial bank 120 000 x

Wages and salaries due 9200 7500

Prepaid rates 2500 3600

Rent received in advance 4000 6800

Capital 363800 x

He did not maintain his accounting records on a double entry system. He

however, kept a cash book with discount columns and a file of invoices during

the year ended d 31st March 2007 as given below.

**CASH SUMMARY**

**Shs shs**

Balance b/f 43800 Trade creditors 502 00

Trade debtors 613100 Cash purchase 8100

Cash sales 213600 Wages and salaries83200

Rent 62000 Rates and Insurance 16400

Capital Ngotho 50 000 Transport 28200

Bank charges 1500

General expenses 72700

Loan interest 6000

Loan repayment 100 000

New motor car 30 000

Drawings 36 000

Balance c/d 24500

**982 500 982500**

The following additional information is available

1. Discount allowed during the year amounted to shs. 12300 and discount received to shs. 13600.
2. During the year Ngotho took goods from the business costing shs. 5000 for his personal use without paying for them
3. Motor cars are subjected to an annual depreciation of 20% on book value. The new motor car was bought on 1st January 2007 you are required to show Ngotho’s.
4. Trading and profit and loss account for the year ended 31st March 2007.
5. Balance sheet as at that date [30 marks]

**QUESTION TWO**

1. The assets and liabilities of the Rift Valley sports club at 31st Dec 2006, were as follows:

Shs.

Povilion at cost less depreciation 130 980

Bank and cash 10 670

Bar stock 2910

Bar debtors 2310

Rates prepaid 680

Contributions owing to sports club by

Users of sports club facilities 7780

Bar creditors 4270

Loans to sports club 10800

Accruals - water 130

Electricity 1300

Miscellaneous 750

Loan interest 330

Contribution paid in advance to sports

Club by users of sports club facilities 3980

The treasures has analyzed the cash book for the year and produced the following receipts and payments account for the year ended 31st 2007.

Shs. Shs.

Opening balance 10670 Bar purchases 29370

Bar sales 40 300 repayment of loan

Capital 1700

Telephone 340 Rent of ground 790

Contributions from users ef Rates 3200

Club facilities 178 00 water 380

Socials 1770 Electricity 3060

Miscellaneous 560 Insurance 2210

Repairs to

Equipment 3260

Expenses of socials670

Maintenance of ground

1330

Wages at grounds man

1400

Telephone 1030

Bar sundries 1440

Loan interest 970

Miscellaneous 1630

Closing balance 17000

**71440**  **71440**

The treasurer also provides the following information as at 31st Dec 2007.

Shs.

Bar stock 3940

Bar debtors 500

Bar creditors 9010

Rent prepaid 160

Water charges owing 230

Electricity owing 350

Creditors for bar sundries 650

Contributions by users of

Sports club facilities owing to 4250

Sports club

Paid in advance to sport club 6570

Rates prepaid 760

Depreciation on the portion for the year was shs. 4980

Required:

1. Ascertain the balance on the accumulated fund as at 1st Jan 2007
2. Prepare a statement showing the gross and net profit earned by the bar [20 marks]

**QUESTION THREE**

P. Botton and A. White are in partinership sharing profits and losses in the ratio of 3:2 respectively. During the year ended 31st Dec 2005, the net trading profit was shs. 15500 and the partner’s drawings were

P. Bolton shs. 3000

A. White shs. 2500

Interests is charged on partner’s capital at the rate of 5% p.a. No interest is charged on drawings. A white is entitled to a salary of shs. 7 500 pa . The balance on the partners accounts (all credit balances) at 1st January 2005 were

Capital a/c current a/c

P. Bolton shs. 20 000 shs. 1570

A. white shs. 15000 shs. 890

Required:

Prepare the partnership profit and loss appropriation account and the partner’s current accounts for the year ended 31st Dec 2005. [20 marks]

**QUESTION FOUR**

What is the articles of association? Point out the information contained in the

articles of association [10 marks]

1. Explain the different types of capital of a limited company [8 marks]
2. Explain the following
3. Bonus issues or scrip issue [1 mark]
4. Right issue [1 mark]

**QUESTION FIVE**

The following information is extracted from the books of ABC Ltd for the year

ending 31st Dec 2007.

Shs.

**Opening stocks**

Raw materials 175 000

Finished products 125 000

**Closing stocks**

Raw materials 140 000

Finished products 2250 00

**Salaries**

Sales department 70000

Office and general 50000

Purchase of raw materials 350000

**Carriage**

Inwards 150 000

Outwards 20 000

**Powers and light**

Factory 8000

Office and general 2000

Office and general 80000

Direct wages 80000

Sales 850 000

Required:

Prepare a statement to show

1. Cost of raw materials used
2. Cost of goods manufactured
3. Cost of goods sold
4. Profit on loss made during the year [20 marks]