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UNIVERSITY EXAMINATIONS 2024/2025

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

BFC 3175: FINANCIAL ACCOUNTING II

DATE: JANUARY 2025

TIME: 2 HOURS

INSTRUCTIONS: Answer Question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

- Describe attributes of good accounting information. (5 marks)
- Esma is the sole owner and manager of a small manufacturing business in Kianjai.

The following is her trial balance as at 30 June 2023

	Sh.(DR)	Sh.(CR)
Administration expenses	37,590	
Sales promotion	3,000	
Cash in hand	1,350	
Rent debtors	5,000	
Capital (as at 1 July 2022)	23,000	12,780
Sales		207,360
Factory direct wages	17,000	
Factory indirect wages	4,000	
Drawings	15,000	
Office furniture & fittings	4,600	
Factory power	9,000	
Heating & lighting	4,000	
Plant & machinery	69,200	



Plant hire	1,000	
Provision for bad debt		800
Provision for depreciation (as at 1 July 2022):		
Plant & machinery		34,600
Furniture & fittings		2,300
Selling expenses	16,600	
Raw material purchases	57,000	
Stock at cost (1 July 2022):		
Raw materials	2,000	
Work in progress	4,000	
Finished goods	6 000	
	<u>279,340</u>	<u>279,240</u>

Additional information:

i. Stocks as at 30 June were values at cost as follows:

	Sh.
Raw material	3,800
Work in progress	7,600
Finished goods	11,400

ii. Expenditure on heating and lighting is to be apportioned between the factory and the office in the ration 9:1 .

iii. Expenses for rent is to be shared between the factory and office in the ration 3:2.

iv. Provision for bad debts is to be made at 5% of debtors outstanding at 30 June 2023.

v. Accruals at 30 June 2023.

Factory power	Sh. 400
Rent	sh. 1,000

Prepaid salesman's car insurance sh.200

These terms were not included in the trial balance shown above.

vi. Depreciation on plant and machinery is at 20% per annum. Using the reducing balance method.



vii. Depreciation on furniture and fittings was at 10% per annum using the straight line method.

Required:

Prepare Shanice's:

- i. Manufacturing account. (5marks)
- ii. Trading, profit and loss account (10marks)
- iii. Balance sheet as at 30 June 2023. (10marks)

QUESTION TWO (20 MARKS)

Atieno, Babu and Chesire have been trading in partnership sharing profits/losses in the ratio of 5:3:2 respectively. On 1 April 2020 they admitted their manager, Dagana as a partner and the profit sharing ratio was changed to 4:3:2:1 FOR Atieno, Babu, Chesire and Dagana respectively.

The partners valued the goodwill at Sh.510,000. Dagana paid Sh.200,000 as capital and his share of goodwill, which should be based on capital contributions.

The partners do not wish to retain the goodwill account after admission of Dagana. The admission of Dagana has not been fully recorded other than the cash receipt of Sh.376,500.

The following is the trial balance of the partnership as at 31 March 2021:

	Sh.	Sh.
Capital accounts - Atieno	700,000	
- Babu	600,000	
- Chesire	400,000	
Current accounts- Atieno	350,000	
- Babu	325,000	
- Chesire	195,000	
Drawings- Atieno	250,000	
- Babu	260,000	
- Chesire	250,000	
- Dagana	175,000	
Land and buildings at cost	2,000,000	



Furniture and fittings at cost	500,000
Provision for depreciation of furniture and fittings	150,000
Motor vehicles	860,000
Provision for depreciation on motor vehicles	480,000
Trade debtors and creditors	365,000 823,500
Dagana account	376,500
Purchases and sales	3,330,000 5,975,000
Stock 1 April 2020	465,000
Salaries and wages	295,000
Rates	137,000
Telephone and postage	116,000
Vehicles running expenses	396,000
Insurance and subscriptions	162,000
General expenses	72,000
Bank charges and interest	124,000
Bad debts	48,000
Returns inwards and outwards	61,000 75,000
Cash in hand	24,000
Cash in bank	490 000
	10,450,000 10,450,000

Notes:

- 1) Depreciation on furniture and fittings and motor vehicles is at 10% and 20% on reducing balance respectively.
- 2) The closing stocks were valued at Sh.560,000.
- 3) Accrued salaries and wages and telephone bills amounted to Sh.24,000 and Sh.14,000 respectively.
- 4) Prepaid subscriptions and rates amounted to Sh.5,000 and Sh.25,000 respectively.
- 5) The partners decided that Dagana should be given a monthly salary of Sh.20,000 for the whole year from 1 April 2000 to 31 March 2021.
- 6) Dagana took goods for own use at cost amounting to Sh.185,000. No entry has been made in the books.



7) The old partners shared the cash paid by Dagana for part of his goodwill.

Required:

- a) Trading, profit and loss account for the year ended 31 March 2021. (10 marks)
- b) Partners capital accounts. (5 marks)
- c) Partners current accounts. (5 marks)

Balance sheet as at 31 March 2021.

QUESTION THREE (20 MARKS)

- a) Comment on the meaning and the practical application of the following accounting terminologies:
 - i. Working capital
 - ii. Appropriation account
 - iii. Work in progress (6 marks)
- b) The following balances were extracted from the books of Warnu Traders Ltd. as at 30 September 2000:

	Sh	Sh.
Ordinary shares of Sh.20 each. Fully paid	600,000	
8% preference shares Sh.20 each. Fully paid	100,000	
Share premium account	80,000	
6 ⁰ -0 loan stock	100,000	
Trade creditors	148,000	
Trade debtors	330,000	
Sales	4,800,000	
Purchases	4,220,000	
Discounts allowed	5,000	
Discounts received	13,000	
Freehold buildings:		
At cost	500,000	
Provision for depreciation	50,000	
Fixtures and fittings:		
At cost	640,000	
Provision for depreciation	256,000	



Stock I October 1999	420,000
Returns outwards	80,000
Establishment expenses	130,000
Administration expenses	56,000
Selling and distribution expenses	167,000
Bad debts written off	4,000
Provision for doubtful debts	18,000
Retained profit I October 1999	362,000
Goodwill	160,000
Bank overdraft	25,000

The following additional information is available:

1. Depreciation is provided annually on the cost of fixed assets held at the end of the financial year at the following rate:

Freehold buildings	20%
Fixtures and fittings	10%
2. The trade debtors balance includes Sh. 10,000 due from Musa who has now been declared bankrupt. In the circumstances, it has been decided to write the debt off as a bad debt.
3. The provision for doubtful debts as at 30 September 2000 is to be 5⁰/0 of trade debtors
4. Establishment expenses prepaid at 30 September 2000 amounted to Sh.4,000.
5. Administration expenses accrued at 30 September 2000 amounted to Sh.7,000.
6. The company paid the interest on the loan stock for the year, ended 30 September 2000 on 30 October 2000.
7. Closing stock was valued at Sh.560,000.
8. The company's directors propose that the preference share dividend be paid and a dividend of 10⁰/0 ordinary shares be paid.

Required:

- i. Trading and profit and loss account and appropriation account for the year ended 30 September 2000 of Wamu Traders Ltd. (8 marks)
- ii. Balance sheet as at 30 September 2000. (6 marks)



QUESTION FOUR (20 MARKS)

Jameni Young club makes up its account to 31 March each year. On 31 December 2004, the treasurer left the club premises and has not been seen since then. An examination of records showed that the books had not been written up for considerable time, and it was decided to reconstruct the figures from 1st Jan 2004.

A summary of the bank account for the year showed the following:

	£		£
Balance I Jan. 2004	416	Rents & rates	460
Bank deposit	42,610	Insurance	39
		Light & heat	156
		Bar purchases	35,067
		Telephone	59
		Cash withdrawn	5,848
		Balance 31 Dec.2005	1 397
	<u>43,026</u>		<u>43,026</u>

The following information is also obtained:

- i. Bar man places the taking in the bank night safe on his way home for crediting to the club account. The duplicate pay in slip total £40,612 for the year. The treasurer had no access to bar takings or stock.
- ii. The receipt counterfoils for members' subscriptions total £3,050 for the year.
- iii. A summary of expenditure for petty cash & wages was as follows:

Glasses, crockery and maintenance	1,310
Wages	2,658
National Insurance	210
Sundry expenses	257

- iv. Outstanding amount and pre-payments as at 31 December 2004 were as follows:

	2003	2004
	£	£
Rates prepaid	26	28
Rent outstanding	41	82
Electricity outstanding	22	18

- v. Bar stock on 1 January 2004 was £2,916.



Required:

- a) A summary of the cash position for the year ended 31 December 2004. (6marks)
- b) Income and expenditure account for the year ended 31st December 2004. (10marks)
- c) What are the differences between account of profit making organization and that of non-profit making organization. (4marks)

QUESTION FIVE(20MARKS)

Mbachu operates a chain of eatries but has not kept complete books of account. The following was a summary of his bank statements for the year ended 31 October 2020:

	Sh.	Sh.
Amounts credited	7,034,000	Balance 1 November 2019
by bank		178,400
Payments to trade creditors	6, 100,000	
Rent and rates	95,000	
Fixtures	20,000	
Lighting and heating	42,000	
General expenses	160,000	
Loan Interest	24,000	
Drawings	180,000	
Customer cheque	36,000	
dishonoured		
	Balance 31 October 2020	198 600
	<u>7 034 000</u>	<u>7 034 000</u>

The following information is also available

1. Trading receipts consists partly of cash and party of cheques. During the year. Mbachu had paid out of his cash takings wages amounting to Sh.590.000 and sundry expenditure of Sh 28.000. He retained Sh.600 a week (assume 52 —weeks in a year) pocket money and maintained a balance of Sh.4.000 in the till tot-change. The balance of his takings. together with cheques amounting to Sh.50,000 which he had cashed out of his takings was paid into the bank.
2. Cheque drawn payable to trade creditors. But not presented at I November 2019 amounted to Sh56000 and at 31 October 2020 Sh.64.000.



3. All dishonoured cheques were re-presented and honoured during the year.
4. The loan interest was paid to the lender who had lent Mbachu Sh.800.000 some years ago at a rate of 3% p.a. The interest was duly paid half-yearly on 31 January and 31 July and the loan was still outstanding at the close of the year.
5. Discounts allowed by trade creditors amounted to Sh.96.000 and those allowed to debtors were Sh. 104.000.

1.	As at 1 November 2019		31 October 2020
	Sh.		Sh.
Stocks	900,000		1,600,000
Trade debtors	560,000	640,000 (includes a bad debt Sh. 40,000)	
Accrued general expenses	48,000	38,000 (to be written off)	
Rates paid in advance	8,000		10,000
Fixtures valued at	560,000		510,000
Trade creditors	360,000		440,000
Creditors for lighting and heating	16,000		14,000

Required;

- a) A statement of Mbachu's capital on 1 November 2019. (10marks)
- b) Profit and loss account for the year ended 31 October 2020 and a balance sheet at that date. (10 mark)

