



**ALUPE UNIVERSITY**  
COLLEGE  
*... Bastion of Knowledge ...*

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OFFICE OF THE DEPUTY PRINCIPAL

ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

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## UNIVERSITY EXAMINATIONS

### 2021 /2022 ACADEMIC YEAR

2<sup>ND</sup> YEAR 2<sup>nd</sup> SEMESTER REGULAR EXAMINATION

**FOR THE DEGREE OF BACHELOR OF BUSINESS**

**MANAGEMENT/ EDUCATION ARTS**

**COURSE CODE: BBM 122/EDB 111**

**COURSE TITLE: PRINCIPLES OF ACCOUNTING II**

**DATE: FRIDAY 10<sup>TH</sup> JUNE 2022**

**TIME: 9.00AM-12.00PM**

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### INSTRUCTION TO CANDIDATES

- SEE INSIDE

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You are informed that purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market price and that 20% of the finished stock (closing) at each department represented finished goods received from the other department.

**Required**

Prepare Departmental and consolidated Trading, Profit & Loss Accounts for the year ending 31st December, 2021 (14 marks)

**QUESTION TWO (30 MARKS)**

- Define partnership and state the contents of a partnership deed. (4 marks)
- Akinyi and Chinedu were in partnership sharing profit and losses in the ratio of 3:2 respectively. Their statement of financial position as at 31 December 2020 was as follows:

Item	Sh.
Non-Current Assets	
Plant and machinery	2,800,000
Fixtures and fittings	400,000
Investments	1,000,000
Total non-current assets	4,200,000
Current assets	
Inventory	600,000
Trade receivable	2,000,000
Less: provision for bad debts	(100,000)
Bank	1,150,000
Total Asset	7,850,000
Capital & Reserves	1,000,000
Capital: Akinyi	800,000
Capital: chinedu	500,000
Accumulated profits	(750,000)
Owner's equity	1,550,000
Non-Current Liabilities	
Loan from Akinyi	1,500,000
Loan from KCB	1,000,000

Additional information On 1st Jan 2021 the partners decided to dissolve the partnership after serious disagreements and the following information was provided:

- Akinyi took over the investment at Sh 800,000 and also agreed to pay the loan from KCB.
- The assets realised the following amounts: Stocks sh 500,000, Trade receivables sh 1,850,000, Fixtures & fittings sh 450,000, Plant & machinery sh 2500,000, Dissolution expenses amounted to sh 110,000 Creditors were paid an amount less 2.5% discount. , The loan from Akinyi was paid in full

**Required**

- Realisation account as at 1<sup>st</sup> jan 2021 (6 marks)
- Capital account for the partners as at 1<sup>st</sup> jan 2021 (6 marks)
- Bank account as at 1<sup>st</sup> jan 2021 (4 marks)

**QUESTION THREE (20 MARKS)**

Rex ltd offered 50,000 shares of sh.1 at sh. 1.25 payable as under

Sh. 0.25 on application

Sh. 0.50 on allotment including premium

Sh. 0.25 on first call

Sh. 0.25 on second call

Application were received for 60,000 shares, an application for 10,000 shares were rejected. Allotment money due was received. First call was made after one month and second call after two month, all money due on first and second call was received except for sh. 1000 shares. These shares were forfeited after three month then reissued for sh. 0.70 each as fully paid

Required

- a) Bank account (4 marks)
- b) Application and allotment account(4 marks)
- c) First call account (3 marks)
- d) Second call account (3 marks)
- e) Share capital account (3 marks)
- f) Forfeited shares account (3 marks)

**QUESTION FOUR (20 MARKS)**

- a) Explain the rule in Garner Vs Murray as applied in partnership (4 marks)
- b) The outline balance sheet of Scanlon, Wimbourne and Guthrie trading as Bentinck Merchants on 31 March 2022 was:

Bentinck merchants Balance sheet as at 31 march 2022

	sh.	sh.	sh.
<b>Non Current assets</b>			
Premises			30,000
Equipment			7,200
Fixtures and fittings			8,100
			<b>45,300</b>
<b>Current assets</b>			
Inventory		17,800	
Accounts receivables		4,300	
Cash		1,100	
		<b>23,200</b>	
<b>Less</b>			
<b>Current liabilities</b>			
Accounts payables	6,400		
Bank overdraft	9,700		
		<b>(16,100)</b>	
<b>Working capital</b>			7,100
<b>Net assets</b>			<b>52,400</b>
Financed by			
Capital			

Scanlon		20,000
Winbourne		20,000
Guthrie		10,000
		50,000
Current accounts		
Scanlon	3,600	
Winbourne	(2,100)	
Guthrie	900	
		2,400
		<b>52,400</b>

Up to this date the partners had shared profits and losses equally, it had been agreed, however, that from 1 April 2022 this would change to Scanlon  $\frac{1}{2}$  Winbourne  $\frac{1}{3}$  Guthrie  $\frac{1}{6}$ . At the same time the assets were revalued at the following amounts.

	sh.
Premises	55,000
Equipment	6,000
Fixtures & fittings	8,000
Inventory	16,500
Accounts receivables	4,100
Goodwill	12,000

### Required

Prepare the Revaluation and capital accounts and balance sheet on the assumption that the above revaluations are to be retained in the books of Bentinck Merchants but goodwill is to be written off. (16 marks)

### QUESTION FIVE (20 MARKS)

The following balances were extracted from the books of Widows and Orphans Fund for the year ended 30 April 2021:

	<b>Sh.</b>
Payments to widows and orphans	2,910,000
Refund to bachelors	150,000
Management expenses	70,000
Members contributions	2,012,000
Interest on investments	6,000,000
Provision for exchange losses on foreign investments (30 April 2020)	2,000,000
Investment account	80,000,000
Employers contributions	40,000
Fund account 30 April 2020	76,000,000

	<b>Sh.</b>	<b>Sh.</b>
Cash		
J.M. Fund	1,000,000	
C.S.F. Corporation	1,600,000	

P.M.G

322,000

2,922,000

The following information is also available:

- i. A sum of Sh.80,000 was due to be paid to Widows and Orphans, but claims were not received until May 2021.
- ii. Interest on investments amounting to Sh.800,000 was to be paid to the fund in March 2021, but the cheque was not received until May the same year.
- iii. The employer contributions for the year should not be less than 3% of the total members contribution for the year.
- iv. Thirty members of the Fund were late in paying the contribution for the year ended 30 April 2021 amounting to Sh.3,000 each.
- v. Provision in case of loss on foreign investments should be adjusted to Sh.1,600,000

**Required:**

- (a) A trial balance of the Fund after taking all the above adjustments into account. (6 marks)
- (b) Income and expenditure account for the year ended 30 April 2000. (7 marks)
- (c) A balance sheet as at 30 April 2021. (7 marks)