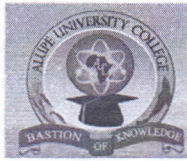


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ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

UNIVERSITY EXAMINATIONS

2018 /2019 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS

MANAGEMENT/BA.ECONOMICS/EDUCATION

BUSINESS

COURSE CODE: BBM 229
COURSE TITLE: FINANCIAL ACCOUNTING II

DATE:15/04/2019

TIME: 9.00am-12.00pm

INSTRUCTION TO CANDIDATES

- **SEE INSIDE**

THIS PAPER CONSISTS OF 7 PRINTED PAGES

PLEASE TURN OVER

INSTRUCTIONS TO CANDIDATES

- Answer Question **ONE** and any other **TWO** questions
- Question **ONE** carries 30 marks
- Do not write on the question paper

QUESTION ONE (30 MARKS)

- Differentiate between departmental and branch accounts (2 marks)
- What is the purpose of branch accounting (5 Marks)
- Differentiate between cash purchase and hire purchase (3 marks)
- Kihara and Wawiru are equal partners. They run a departmental store. Kihara manages department A and Wawiru manages department B.

Trial Balance as at 31 December 2017

	Dr	Cr
Purchases: Department A	18,500	
B	34,500	
Stock: Department A	10,000	
B	15,000	
Sales Department A		55,000
B		44,000
Capital Accounts : Kihara		80,000
Wawiru		40,000
Current Accounts: Kihara		8,200
Wawiru		6,500
Drawings : Kihara	6,500	
Wawiru	9,000	
Freehold premises	60,000	
Motor vehicle	15,000	
Furniture and fittings	20,000	
Establishment expenses	6,000	
Advertisement	4,500	
Carriage outwards	2,700	
Postage and stationery	1,700	
Salaries: Department A	4,800	
B	4,800	
Debtors / creditors	15,000	4,600
Provision for bad debts		1,550
Bank	11,350	
	239850	239850

- Allow salary to each partner at shs 9,600 p.a

- ii. Establishment expenses are to be divided in proportion to space occupied. Department A 3/5 of Area, Department B, 2/5 of the area
- iii. Closing stock department A shs 12,500, Department B 17,500
- iv. The provision for bad debts figures is to be carried forward to 2018
- v. Depreciation of fixtures and furniture at 7.5% and motor van at 20% p.a partners are to get a commission of 10% of the Net profit of the respective departments
- vi. Depreciation, postage and stationery are to be shared equally by the two departments

Required

- i. Departmental trading and profit and loss for the period ended December 2017 (15marks)
- ii. Balance sheet of the partnership from the above information (5 marks)

QUESTION TWO (20 MARKS)

X, Y and Z share profits and losses in the proportion of 4:3:2. Their statement of financial position is as follows:

Statement of financial position as at 31st December 2017

	Kshs	kshs	kshs
<u>Non-Current assets</u>			
Plant and Machinery	65,000		65,000
<u>Current Assets</u>			
Stock		60,000	
Debtors		50,000	
Bank		18,000	
<u>Current Liabilities</u>			
Creditors		<u>(58,000)</u>	<u>135,000</u>

Financed by:

Capital:

A	60,000	
B	45,000	
C	30,000	<u>135,000</u>

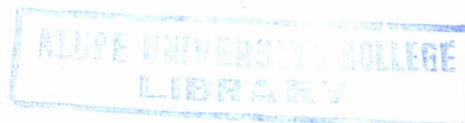
They decided to dissolve the partnership on 1st January 2018. The assets were realized as under:

2018

Jan 31	Debtors	45,000
Feb 28	Stock	54,000
March 31	Plant and Machinery	18,000
April 30	Plant and Machinery	36,000

Additional Information

- i. Realization expenses amounted to shs 5,000



ii. The final dissolution was made on 30th April 2018

Required

Prepare a statement showing distribution of cash on piece meal distribution (20 Marks)

QUESTION THREE (20 MARKS)

Zuia moto a sole trader had taken out a loss of profits policy for 300,000 being 130,000 for Net profit and 17,000 for fixed expenses. Expenses to the extent of 30,000 were not insured. During 2017 the company earned a profit of 90,000 after charging 200,000 standing charges on sale of 3,250,000. On 1st June 2016 there was a fire as a result of which sales suffered a great deal for a period of 6 months. The details of shares for 2 years were:

	2016	2017
January	200,000	220,000
February	200,000	220,000
March	250,000	275,000
April	250,000	275,000
May	300,000	330,000
June	360,000	50,000
July	400,000	50,000
August	340,000	60,000
September	300,000	80,000
October	250,000	110,000
November	250,000	150,000
December	150,000	180,000

The indemnity period was 4months 20,000 was spent on putting the fire out, and additional expenses as a consequence of the fir were shs 160,280 but a saving of 30,000 was affected towards the end of 2016. A Machine was installed which resulted in a net saving equal to 2% of sales.

Required

Prepare a detailed schedule to ascertain the claim for loss of profit (20 marks)

QUESTION FOUR (20 MARKS)

The accountant of Wislon Co has prepared the following list of account balances as at 31 December 2015

	shs ‘ 000’
50p ordinary shares (fully paid)	350
7% shs1 preference shares (fully paid)	100
10% Loan stock	200
Retained earnings 1.1.2015	242
General reserve 1.1.2015	171

Land and buildings 1.1.2015(cost)	430
Plant and machinery 1.1.2015 (cost)	830
Aggregate depreciation	
Buildings 1.1.2015	20
Plant and machinery 1.1.2015	222
Inventory 1.1.2015	190
Sales	2,695
Purchases	2,152
Preference dividend	7
Ordinary dividend (interim)	8
Interest on Loan stock	10
Wages and salaries	254
Light and heat	31
Sundry expenses	113
Suspense account	135
Trade accounts receivable	179
Trade accounts payable	195
Cash	126

Additional information

a) Sundry expenses include shs 9,000 paid in respect of insurance for the year ending 1 September 2015. Light and heat does not include an invoice of shs 3,000 for electricity for the three months ending 2 January 2016, which was paid in February 2016. Light and heat also includes shs 20,000 relating to salesmen's commission.

b) The suspense account is in respect of the following items.

	shs '000'
Proceeds from the issue of 100,000 ordinary shares	120
Proceeds from the sale of plant	<u>300</u>
	420
Less consideration for the acquisition of Mary & Co	<u>285</u>
	<u>135</u>

c) The net assets of Mary & Co were purchased on 3 March 2015. Assets were valued as follows:

	shs '000'
Investments	231
Inventory	<u>34</u>
	<u>265</u>

The entire inventory acquired was sold during 2015. The investments were still held by Wislon at 31.12.15. Any goodwill arising from the acquisition is considered to be impaired at the rate of 20%.

- d) The property was acquired some years ago. The buildings element of the cost was estimated at shs 100,000 and the estimated useful life of the assets was fifty years at the time of purchase. As at 31 December 2015 the property is to be revalued at shs 800,000.
- e) The plant which was sold had cost shs 350,000 and had a net book value of shs 274,000 as on the date of disposal. Shs 36,000 depreciation is to be charged on plant and machinery for 2015.
- f) The 50p ordinary shares all rank for dividends at the end of the year.
- g) The management wish to provide for:
 - i) A final ordinary dividend of 2p per share.
 - ii) A transfer to general reserve of shs 16,000.
 - iii) Audit fees of shs 4,000

The proposed dividends were declared before the year end

- h) Inventory as at 31 December 2015 was valued at shs 220,000 (Cost).
- i) Taxation is to be provided at shs 30,000. Assume a corporation tax rate of 30%

Required

Prepare the published financial statement of Wislon Co as at 31 December 2015

QUESTION FIVE (20 MARKS)

The company of Munazi Ltd was dully formed on 1 may 2017 with an authorized capital of shs 1,000,000 in shares of shs 20 each. The values at which the above stated assets were transferred to the company were as follows:

Freehold land and Buildings	292,000
Furniture and fittings	130,000
Stock	49,260

And debtors were taken over at book values less shs 3,000 by way of provision for doubtful debts.

P munazi retained the cash at bank and paid off the creditors. 30,000 fully paid of shs 20each were allowed to P. Munazi at a premium of shs 5 per share on 2nd may in settlement of purchase consideration and the remaining of the authorized share capital were issued for cash at shs 25 per share, payable 5 per share on application Shs 10 per share including premium or allotment and shs 10 per share on 1st September

Application for 40,000 shares was received and on 15th may the directors proceeded to make prorated allotments to all applicants. Some in excess of the amount payable on application were carried forward against the amount payable on allotment. The balance due on allotment was

received in full on 20th may. Assume that incidental costs to the transactions were borne by the vendor and that no trading transaction occurred between 30th April and 22nd may 2017

Required

- i. Write ledger accounts in the books of P. Munazi
- ii. Record transactions in books of Munazi ltd
- iii. Draw up the company's balance sheet as at 22nd may 2017

