



P.O.Box 845-50400 Busia(K)
principal@auc.ac.ke
Tel: +254 741 217 185
+254 736 044 469
off Busio-Malaba road

OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2017 /2018 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

**FOR THE DEGREE OF BACHELOR OF
EDUCATION**

COURSE CODE: EDB 111

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: APRIL 19TH 2018

TIME: 2 PM – 5 PM

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 6 PRINTED PAGES

PLEASE TURN OVER

EDB 111-FINANCIAL ACCOUNTING

STREAM: B.ED

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

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

Question One

- 1). Differentiate between reserves and provisions (4 marks)
- 2). The following trial balance was extracted from the books of Anne and Betty as at 30th June 2017

	Shs'000'	shs'000'
Capital accounts: Anne		1,200,000
Betty		960,000
Current: Anne		48,000
Betty		26,400
Drawings Anne	216,000	
Betty	168,000	
Shop fittings and fixtures (cost)	840,000	
Office furniture	36,000	
Provision for depreciation:		
Shop fittings and fixtures		120,000
Office furniture		12,000
Debtors and creditors	1,739,520	552,720
Stock as at 1 July 2016	631,200	
Purchases and sales	5,322,240	7,377,600
Carriage inwards	30,480	
Returns inwards and returns outwards	38,400	13,920
Insurance	76,080	
Rent and rates	326,400	
General expenses	155,520	
Staff salaries	848,400	
Carriage outwards	74,880	
Provision for doubtful debts		15,600
Bank overdraft		188,400
Advertising	<u>11,520</u>	=
	<u>10,514,640</u>	<u>10,514,640</u>



Additional information

- a. Stock as at 30th June 2017 was valued at shs 974,400
- b. Rates paid in advance as at 30th June 2017 amounted to shs 21,120
- c. The provision for doubtful debts is to be increased to shs 40,320
- d. **Depreciation is to be provided as follows:**

Shop fittings and fixtures	10% per annum on straight line basis
Office furniture	20% per annum on straight line basis
- e. Betty is to earn a salary of shs 120,000 per annum
- f. **Interest is to be allowed as follows:**

On fixed capitals	5% per annum
On drawings	2.5% per annum
- g. Profits and losses are shared between Anne and Betty in the ration 3:2 respectively

Required

- i. Trading and profit and loss and appropriation accounts for the year ended 30 June 2017 (10 marks)
- ii. Partners current accounts as at 30th June 2017 (8 marks)
- iii. Balance sheet as at 30th June 2017 (8 marks)

Question Two

- a). Whites business has a rate of turnover of 7 times. Average stock is shs 12,600. Trade discount i.e martin allowed is 331/4% of all selling prices. Expenses are 661/4% of gross profit.

Required: calculate:

- i. cost of goods sold
- ii. turnover
- iii. gross profit margin
- iv. total expenses
- v. net profit
- vi. draw a profit schedule (5 marks)

- b). Daniel does not keep proper books of account. You ascertain that his bank payment and receipts during the year to 31st December 2017 were as follows:

Receipts	shs	payments	shs
Balance 1 Jan 2017	572	Purchases	10,007
Cheque for sales 13,179		Expenses	2,950
Cash banked	14,005	drawings	11,250
Balance 31 st December 2017	3751	Delivery van	7,300

31,507

31,507

From a cash notebook you ascertain:

Cash in hand 1 st January 2017	62
Cash takings	16,300
Purchases paid in cash	1,850
Expenses paid in cash	375
Cash in hand 31 st December, 2017	65
Drawings	unknown

You discover that assets and liabilities were as follows:

	1 st January 2017	31 st December 2017
Debtors	1,850	2,070
Trade creditors	1,250	1,420
Stock on hand	2,650	2,990

Depreciation on the van is to be provided at the rate of 20% per annum

Required:

Prepare the trading profit and loss account and a balance sheet for the year ended 31st December 2017 (15 marks)

Question Three

Kosgei's books of accounts showed the following trial balance.

**Kosgei
Trial Balance as on 31st December 2012**

	Dr. Shs'000'	Cr. Shs'000
Stock of raw materials 1.1.2012	21,000	
Stock of finished goods 1.1.2012	38,900	
Work in progress 1.1.2012	13,500	
Wages (direct shs 180,000: factory, indirect 145,000)	325,000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchase of raw materials	370,000	
Productive machinery (cost shs 280,000)	230,000	
Accounting Machinery (cost shs 20,000)	12,000	
General factory expenses	31,000	
Lighting	7,500	



Factory power	13,700	
Administrative salaries	44,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Sales representatives' salaries	30,000	
Commision on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1,000,000
Debtors and creditors	142,300	125,000
Bank	56,800	
Cash	1,500	
Drawings	20,000	
Capital as at 1.1.2012		<u>29,680</u>
	<u>1,421,800</u>	<u>1,421,800</u>

Additional information

- i. Stock of raw materials shs 24,000, stock of finished goods shs 40,000, work in progress shs 15,000
- ii. Lighting and rent and insurance are to be apportioned factor $\frac{5}{6}$ th, administration $\frac{1}{6}$ th
- iii. Depreciation on productive and accounting machinery at 10% per annum on cost

Required

Prepare a manufacturing, trading, and profit and loss account for the year ended 31st December, 2012

Question Four

Wesonga and Ochieng operate a partnership business: The partnership agreement provides for:

- i. Profits and losses to be shared between wesonga and Ochieng in the ratio 5:3 respectively
- ii. Ochieng to receive a salary of shs 73,000 per annum for managing the business
- iii. Drawings to charge an interest of 12% per annum on the balances at the end of the year

The following balances relate to the firm as at 30th April 2015



		Shs
Capital:	Wesonga	800,000
	Ochieng	600,000
Drawings	Wesonga	45,000
	Ochieng	25,000
Creditors		508,000
Net profit		193,000
5year loan		500,000
Current assets		830,000
Bank overdraft		336,000
Current accounts:	Wesonga	100,000(Cr)
	Ochieng	70,000 (Cr)
Fixed assets		2,207,000

Required

- a. Profit and loss appropriation account for the year ended 30 April 2015 (10 marks)
- b. Balance sheet as at 30 April 2015 (10 marks)

Question Five

Using an illustration briefly explain the following accounts which appear in the books of partnership

- i. Capital accounts (2 marks)
- ii. Current account (3 marks)
- iii. List types of funds and briefly explain their accounting treatment (15 marks)
