



MUEO

MOI UNIVERSITY

OFFICE OF THE DEPUTY VICE CHANCELLOR
(ACADEMICS, RESEARCH & EXTENSION)

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER EXAMINATION

FOR THE DEGREE OF

BACHELOR

OF

BUSINESS MANAGEMENT

COURSE CODE: BBM 122 /ECF 123

COURSE TITLE: PRINCIPLES OF ACCOUNTING II

DATE: 6TH MAY, 2022 **TIME:** 2.00 P.M. – 5.00 P.M.

INSTRUCTION TO CANDIDATES

- SEE INSIDE.

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BBM 122/ECF 120: PRINCIPLES OF ACCOUNTING II

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS

QUESTION ONE

Silas and William are in partnership sharing profits and losses equally. The following is their trial balance as at 30 June 2020.

	Dr. Ksh.	Cr. Ksh.
Buildings (cost Ksh.750,000)	500,000	
Fixtures at cost	110,000	
Provision for depreciation: Fixtures		33,000
Receivables	162,430	
Payables		111,500
Cash at bank	6,770	
Inventories at 30 June 2019	419,790	
Sales		1,236,500
Purchases	854,160	
Carriage outwards	12,880	
Discount allowed	1,150	
Loan interest: King	40,000	
Office expenses	24,160	
Salaries and wages	189,170	
Bad debts	5,030	
Provision for bad debts		4,000
Loan from King	400,000	
Capitals: Silas		350,000
William		290,000
Current accounts: Silas		13,060
William		2,890
Drawings: Silas	64,000	
William	56,500	
	<u>2,446,040</u>	<u>2,446,040</u>

Additional information

- Inventories at 30 June 2020, Ksh.563,400
- Expenses to be accrued: Office Expenses Ksh.960; Wages Ksh.2,000
- Depreciate fixtures 10 per cent on reducing balance basis, buildings Ksh.10,000
- Reduce provision for bad debts to Ksh.3,200.
- Partnership salary: Ksh.8,000 to Silas. Not yet entered
- Interest on drawings: Silas Ksh.1,800; William Ksh.1,200.
- Interest on capital account balances at 10 per cent.

Required:

- Prepare a statement of incomes and appropriation account for the year ended 30 June 2020
(15 marks)
- Statement of financial position as at that date.
(10 marks)

Total 25 marks

QUESTION TWO

The following is the receipts and payments account of the Marafiki Club for the year ended 31 December 2020:

	Shs		Shs
Balance at bank			
31 December 2020	102,000	Bar purchases	4,434,000
Entrance fees	42,000	Wages	416,000
Subscriptions: 2019	25,000	Rent	186,000
2020	305,000	Heating and lighting	128,000
2021	35,000	Postage and stationery	33,000
Bar Sales	5,227,000	Insurance	18,000
Sale of investments	750,000	General expenses	46,000
		Payments on account of new	450,000
		Balance at bank, 31 2020	775,000
	<u>6,486,000</u>		<u>6,486,000</u>

The following information is also supplied:

	31 December 2019	31 December 2020
(1) Bar stock, at cost	272,000	315,000
Creditors for bar purchases	306,000	358,000
Rent due	18,000	36,000
Heating and lighting expenses	16,000	19,000
due Subscriptions due	25,000	40,000
Insurance paid in advance	5,000	7,000
2. On 31 December 2019, the club held investments which cost shs 500,000. During the year ended 31 December 2020, these were sold for shs 750,000.		
3. Furniture was valued at shs 300,000 on 31 December 2019. On June 2020, the club purchased additional furniture at a cost of shs 450,000. Depreciation of all furniture is to be provided for at the rate of 10% per annum.		

Required:

- (a) Prepare an income and expenditure account for the year ended 31 December 2020. (10 marks)
- (b) Prepare a balance sheet at that date. (5 marks)
- Total 15 marks**

QUESTION THREE

- a. State and briefly explain any three distinguishing features between:
- i. Receipts and payments account (3 marks)
 - ii. Income and expenditure account. (3 marks)
- b. Explain how the following items are treated in accounts of a non-profit making organization:
- iii. Life membership fund (3 marks)
 - iv. Subscriptions (3 marks)

v. Donations

(3 marks)

Total 15 marks

QUESTION FOUR

- a. Kedenko Ltd has a share capital of Ksh.200,000 made up of 100,000 shares of Ksh.2 each. The balance on the share premium is Ksh.60,000. Additional capital is raised by way of a right issue. The terms are: For every 5 shares held in the company, a shareholder can buy 2 shares at a price of Ksh.2.5 per share.

Required:

The journal entries to reflect the above transaction assuming that all the shareholders exercise their rights and the relevant balance sheet extract. (10 marks)

- b. Kedenko Ltd has an authorized share capital of 200,000 shares of Ksh.1 each out of which only 150,000 shares have been issued, although the firm requested the shareholders to pay 80cents per share, the shareholders were able to pay 50cents per share.

Required: Determine the:

- c. Authorized share capital (1 mark)
d. Issued share capital (1 mark)
e. Called up share capital (1 mark)
f. Uncalled up share capital (1 mark)
g. Paid up share capital (1 mark)

Total 15 marks

QUESTION FIVE

- a. Explain the reasons for the formation of partnerships and list the contents of a partnership deed (9 marks)
b. Explain what happens when a new partner is admitted into a partnership and when an old partner retires from a partnership (6 marks)

Total 15 marks

QUESTION SIX

- a. Explain the differences between the accounts of a non-profit making organization and a profit making organization (8 marks)
b. Explain the various ways of treating donations and subscriptions in a non-profit making organization. (7 marks)

Total 15 marks