



MOI UNIVERSITY

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

UNIVERSITY EXAMINATIONS 2023/2024 ACADEMIC YEAR SECOND YEAR SECOND SEMESTER EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 223

COURSE TITLE: FINANCIAL ACCOUNTING II

DATE: 21ST DECEMBER, 2023 **TIME:** 9.00 A.M. - 12.00 NOON.

INSTRUCTION TO CANDIDATES

- SEE INSIDE.

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BBM 223: FINANCIAL ACCOUNTING II

MAIN EXAMINATION

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER TWO

QUESTION ONE

a. The chief accountant of Best Co. has extracted the following trial balance as at 31 Oct 2020.

	Dr. '000	Cr. '000
Authorized and issued share capital		30,000
Share premium		350
10% Debentures		3,500
General reserves		2,000
Profit & Loss a/c		2,850
Motor vehicle(Cost)	3,500	
Provision for depreciation		265
Freehold properties	44,500	
Trade Debtors and Creditors	1,375	460
Purchase and Sales	95,650	127,450
Stock in Hand	3,478	
Furniture and Fitting(cost)	1,540	
Provision for depreciation		138
Goodwill	500	
Rent receivable		385
Salaries and wages	2,285	
General expenses	358	
Vehicle running expenses	2,470	
Bad debts	124	
Telephone and postage	568	
Water and electricity	269	
Rates and insurances	289	
Cash at bank	10,492	
	167,398	167,398

Additional information

1. Credit sale amounted to sh. 165,000 were made on 31st October, 2020 but no entries were made on the books.
2. Return inward amounting to sh. 128,000 were dispatched on 31st Octobe, 2020r but no entries were made in the books

3. Closing stock was valued at sh. 4,398,000
4. Accrued salaries and telephone bills amounted to sh. 35,000 and sh. 55,000 respectively
5. Rent for the month of October 2008 amounting to sh. 35,000 had not been received from the tenant.
6. Provision for depreciation of furniture and fittings and motor vehicles are 10% and 20% respectively on cost.
7. Provision for bad and doubtful debts of 5% on trade debtors should be made.
8. Corporate tax should be provided at 35%
9. The directors proposed a dividend of 15% on issued share capital and transfer of 2,500,000 to the general reserve.
10. The debenture interest has not yet been paid.

Required;

- a) Prepared published company account (25 Marks)
- b) What are the features of hire purchase system (5 marks)

(Total: 30 marks)

QUESTION TWO

Best co. had purchased a machinery on hire purchased system from west Co. The terms are that best Co. would pay Shs 200,000 as down payment and four annual instalments of Shs 110,000 each, commencing from the beginning of the year. Best co. charges the depreciation at the rate of 10% p.a on cost under diminishing method. The cash price Sh.500,000 as per higher purchase contract.

You are required to prepare the following in the books of Best Co.

- A). Journalize the transaction.
- B). Machinery a/c
- C). West Co. a/c.
- D). Interest Accounts

(Total: 15 marks)

QUESTION THREE

Short notes

- Publish company accounts.
- The distinction between higher purchases and installment system.
- The emerging issues and trend in financial reports

(Total: 15 marks)

QUESTION FOUR

The **Greatest Co. Ltd** was formed to acquire the business of Justice and Mercy who share profits in the ratio of 2:1 respectively. The balance of the Partnership as on 31st Dec, 2020 was under:

Liabilities		Assets	
Bills payable	72,000	Land&Building	400,000
Creditors	216,000	Machinery	200,000
Justice	32,000	Stock	240,000
Capital A/c		Debtors	232,000
Justice	640,000	Bills/R	64,000
Mercy	400,000	Investments	48,000
	1,040,000	Cash at Bank	96,000
		Goodwill	80,000
	13,600,000		13,600,000

It was agreed that the company to take over the assets at the book value with the exception of Land&Building and stock which are taken over at Shs 450,000 and Sh 200,000 respectively.

- The investment were retained by the firm and sold them for Shs 40,000.
- They discharge the loans of Justice.
- The company takes over the remaining liabilities.
- The value of goodwill is fixed at Shs 288,000

The purchasing consideration is discharged as follows;

- 10,000 equity shares of shs 100 each.
- The balance will be in cash.

You are required to close the books of the firm

(Total: 15 marks)

QUESTION FIVE

- a) What is company? Discuss the difference between partnership and company
(10 Mark)
- b) Discuss the procedures followed in insurance claims computation (5 Marks)
(Total: 15 marks)

QUESTION SIX

Head office during the Year Jan' 2018 – Dec'2019. In this example, the Head office is sending goods to the branch at the 25%cost-plus price.

Opening Stock at Branch as on 1st Jan 18: 10000

Debtors as on 1st Jan 18: 20000

Goods Sent to Branch by Head Office: 100000

Goods Returned by Branch to Head Office: 500

Cash Sales: 50000

Credit Sales: 80000

Discount allowed 200

Returned by customers 1000

Cash Collected from Debtors: 70000

Salaries and Wages: 600

Rent: 1500

Sundry Expenses: 400

Closing Stock as on 31.12.2018: 1500

Debtors as on 31.12.2018: 1000

You are required to prepare branch account using stock and debtors system.

(Total: 15 marks)