



MUEO

MOI UNIVERSITY

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

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

FOR THE DEGREE OF

BACHELOR

OF

BUSINESS MANAGEMENT

COURSE CODE: BBM 122 / ECF 123 / BHR 107

COURSE TITLE: PRINCIPLES OF ACCOUNTING II

DATE: 15TH DECEMBER, 2023 **TIME:** 2.00 P.M. – 5.00 P.M.

INSTRUCTION TO CANDIDATES

- SEE INSIDE.

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BBM 122/BHR 120: PRINCIPLES OF ACCOUNTING II

MAIN EXAMINATION

INSTRUCTIONS: ANSWER ONE AND ANY OTHER THREE QUESTIONS:

QUESTION ONE

- a) Briefly define goodwill, clearly stating the difference between purchased and non-purchased goodwill. **(3 marks)**
- b) State the features distinguishing the final accounts of partnership from those of a sole trader. **(3 marks)**
- c) The following trial balance was extracted from the books of Kwetu Welfare Society as at 30th April 2020.

	Ksh.	Ksh.
Balance at Bank	724,800	
Accumulated Fund: 1 st May 2019		5,771,200
Land and Buildings at cost	3,700,000	
Subscriptions in Arrears	62,000	
Furniture and Fittings	1,874,000	
Provision for Depreciation:		
Furniture and Fittings		284,000
Projectors, Cameras & Equipment		54,400
Subscriptions		1,450,000
Lecturers fees	920,000	
Lecturers Travel & Accommodation	358,000	
Donations		108,000
Camera and Projector repairs	17,000	
Projectors, Cameras and Equipment	190,000	
Rates and Water	277,000	
Lighting and Heating	367,200	
Rental of Rooms		495,000
Wages – Caretaker	880,000	
- Restaurant	1,600,000	
- Bar Staff	800,000	
Purchase of Food	1,565,000	
Bar Stock – 1 st May 2019	474,000	
Bar Receipts		4,032,000
Bar Purchases	2,842,800	
Restaurant Receipts		3,642,000
Loan		1,600,000
Deposit Account	1,000,000	

Interest Receivable		36,000
Creditors for Bar and Food		<u>178,400</u>
	<u>17,651,800</u>	<u>17,651,800</u>

Additional Information

1. The bar stock was valued at Ksh. 642,800 as at 30th April 2020.
2. It is expected that of the subscriptions arrears, Ksh. 43,600 will not be collectable.
3. Depreciation for the year is to be provided as follows: Furniture and Fittings Ksh. 194,000 and Projectors, Cameras and Equipment Ksh. 19,000

Required:

- i. Subscriptions A/C (3 marks)
 - ii. Bar and restaurant trading account for the year ended 30th April 2020. (5 marks)
 - iii. An income and expenditure account for the year ended 30th April 2020. (9 marks)
 - iv. A Statement of Financial Position for the year ended 30th April 2020. (7 marks)
- (Total: 25 marks)

QUESTION TWO

Bima Ltd incorporated has authorized share capital of Ksh. 25,000,000 divided into 250,000 shares of Ksh. 100 each. In July 2018, the Board of Directors decided to issue 150,000 shares to the public at Ksh. 120 each as follows:

Application	Ksh. 20
Allotment	Ksh. 40 (Including premium)
First Call	Ksh. 30
Final Call	Ksh. 30

Applications were received for 180,000 shares. Applications for 15,000 shares were unsuccessful and the money refunded to the applicants. The excess money on application was used to reduce the amount due on allotment. The first call was made on October 1st, 2018. A shareholder with 18,000 shares failed to pay. The final call was made on Dec 1st, 2018. Money was received except for the shareholder who did not pay first call and another shareholder with 15,000 shares who failed to pay for the final call. All other shareholders paid for their calls promptly. After giving notice, on December 15th 2018, the 33,000 shares held by the defaulters for first and final call were forfeited and later re-issued for cash at Ksh. 90 per share fully paid on the same day.

Required:

Ledger accounts to record the above transactions in the books of Bima Ltd. (10 Marks)

QUESTION THREE

The following trial balance was extracted from the books of Vyema Ltd as at 31st August 2021.

	Ksh.	Ksh.
Authorised, issued and paid up capital (Ordinary shares of Ksh. 20 each)		30,000,000

Share premium account		2,100,000
Profit and loss account 1 st September 2020		6,430,000
Motor vehicles (cost Ksh. 6,000,000)	3,600,000	
Freehold Properties at cost	18,000,000	
Purchases	80,276,000	
Sales		117,992,000
Provision for bad debts 1 st September 2020		300,000
Bad debts	400,000	
Bank loan at 15% per annum		6,000,000
Loan interest accrued at 1 st September 2020		900,000
Trade debtors and creditors	18,700,000	7,290,000
Rent receivable		1,000,000
Motor vehicle expenses	930,000	
General Expenses	5,266,000	
Bank balances	6,188,000	
Salaries and Wages	21,872,000	
Rates and Insurance	794,000	
Bar Stock – 1 st September 2020	15,986,000	
	<u>172,012,000</u>	<u>172,012,000</u>

Additional Information

1. Stock in trade on 31st August 2021 was Ksh. 16,850,000.
2. The provision for bad debts is to be increased to Ksh. 450,000.
3. Salaries and wages outstanding on 31st August 2021 amounted to Ksh. 120,000.
4. Rates and Insurance paid in advance Ksh. 180,000.
5. Rent receivable of Ksh. 1,000,000.
6. Depreciation for motor vehicles is at a rate of 20% per annum at cost.
7. Interest on bank loan has not been paid.
8. Corporation tax on profit for the year is estimated at Ksh. 3,575,000
9. Ordinary dividend of Ksh. 2 per share is proposed.

Required:

- a) Trading, profit and loss account and appropriation account for the year ended 31st August 2021. (6 marks)
 - b) A Statement of Financial Position for the year ended 31st August 2021 (4 marks)
- (Total: 15 marks)**

QUESTION FOUR

(a) Write short notes on the following;

- i) Revaluation account

(2marks)

- ii) Rights Issue (1marks)
 - iii) Realisation account (2marks)
 - iv) Share Premium (1 Marks)
- (b) List and briefly describe the contents of a partnership deed (4 marks)

(Total: 15 marks)

QUESTION FIVE

Muya, Musa and Morris have been trading in partnership for several years, sharing profits and losses equally after allowing for Interest on fixed capital was allowed at the rate of 10% p.a. Morris retired from the partnership on 31st December 2022. Muya and Musa agreed to continue in partnership sharing profits and losses in the ratio 3:2 respectively after allowing interest on capital at the rate of 10% p.a.

On 31st December 2022 a valuation of goodwill was carried out and agreed at Ksh. 1,440,000 but this was not to be reflected in the books. The land and buildings were revalued at the same date at Ksh. 2,760,000 and were to be adjusted in the books. The firm prepares its accounts annually March every year. The firm prepared its accounts to 31st March 2023 and at the same time the following trial balance was extracted. The above adjustments relating to the change in partnership had not been made.

The following was the partnership trial balance as at 31st March, 2023.

	Ksh.	Ksh.
Fixed Capital Accounts		
Muya		720,000
Musa		960,000
Morris		720,000
Current Accounts		
Muya		280,000
Musa		360,000
Morris		128,000
Drawings		
Muya	660,000	
Musa	780,000	
Morris	480,000	
Land and Buildings at cost	2,040,000	
Plant and Machinery (NBV)	720,000	
Stock	540,000	
Trade Debtors and Creditors	360,000	672,000
Cash at Bank	408,000	
Net Profit for the year		2,160,000

6,000,000

6,000,000

Additional Information:

1. Profit accrued evenly throughout the year.
2. Morris was paid all his dues in full.

Required:

1. Profit and Loss and Appropriation Account for period ended 31st March 2023 (4 marks).
 2. Partners Capital and Current Accounts (3 marks)
 3. Balance Sheet as at 31st March 2023 (3 marks).
- (Total: 15 marks)

QUESTION SIX

- a) Mutua, Kombo and Kimani decide to dissolve their partnership. As the books are prepared, Kombo is declared bankrupt. Briefly discuss in detail how his bankruptcy would be resolved by the liquid partners in preparing the books for dissolution and the case law that supports the action undertaken. (5 marks)
- b) State the features distinguishing the final accounts of a non-profit organizing from those of a profit making organization (2 marks)
- c) List three reasons why companies do not distribute all their profits to shareholders. (3 marks)

(Total: 15 marks)