



MUEO

MOI UNIVERSITY

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

UNIVERSITY EXAMINATIONS 2022/2023 ACADEMIC YEAR FIRST YEAR SECOND SEMESTER EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 122 / ECF 123/ ECO 102

COURSE TITLE: PRINCIPLES OF ACCOUNTING II

DATE: 17TH APRIL, 2023 **TIME:** 2.00 P.M. – 5.00 P.M.

INSTRUCTION TO CANDIDATES

- SEE INSIDE.

THIS PAPER CONSISTS OF (3) PRINTED PAGES

PLEASE TURN OVER

BBM 122/ECF 120: PRINCIPLES AOF ACCOUNTING 11**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS****QUESTION ONE**

Kamau and Onyango are in partnership sharing profits and losses equally. The following is their trial balance as at 30 June 2021.

	Dr. Ksh.	Cr. Ksh.
Buildings (cost Ksh.750,000)	500,000	
Fixtures at cost		110,000
Provision for depreciation: Fixtures		33,000
Debtors		162,430
Creditors		111,500
Cash at bank	6,770	
Stock at 30 June 2020	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 J King		400,000
Capitals: Kamau		350,000
Onyango		290,000
Current accounts: Kamau		13,060
Onyango		2,890
Drawings: Kamau	64,000	
Onyango	<u>56,500</u>	
	<u>2,446,040</u>	<u>2,446,040</u>

Additional information

- Stock, 30 June 2021, 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 Kamau. Not yet entered
- Interest on drawings: Kamau Ksh.1,800; Onyango 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 2021 (15 marks)
- Statement of financial position as at that date. (10 marks)

QUESTION TWO

- Explain the following terms:
 - Share premium (4 marks)

- ii. Rights issue (4 marks)
- b. State and briefly explain any three distinguishing features between
 - i. A receipts and payments account (3 marks)
 - ii. Income and expenditure account. (4 marks)

Total 15 marks

QUESTION THREE

The ABC Trading Company Limited has an authorized share capital of Sh.500,000 divided into 5,000 ordinary shares of Sh.100 each.

On 1 January 2021, the Board of directors decided to issue 4,000 shares at Sh.125 each payable as Sh.50 on application. Sh.50 on allotment (including the Sh.25 premium) and Sh.25 on first and final call.

The applications were receivable on 20 January 2021 when allotment was made. The allotment money was receivable by 15 February 2021. The first and final call was made on 15 March 2021 and the call money receivable by 31 March 2021. Applications were received for 6,000 shares. The directors decided to refund money for 1,000 shares and the other applicants were allotted prorata with the excess money utilized to meet part of the allotment money. The balance of the allotment money was received on the due date. The first and final call was made and the call money received on the due date except for allottees of 200 shares.

The 200 shares with calls arrears were forfeited on 10 April 2021 and sold for cash at Sh.85 each on 12 April 2021.

Note: No other transactions took place during the above period.

Required:

- i. Application and Allotment Account, First and Final Call Account, Ordinary Share Capital Account. Share Premium Account, Calls in Arrears Account. Forfeited Shares Account and the bank account. (12 marks)
- ii. Balance sheet as at 12 April 2021 (3 marks)

Total 15 marks

QUESTION FOUR

- a. Explain what a partner leaving a partnership is entitled to with appropriate illustration (6 marks)
- b. Explain the contents of a partnership deed (9 marks)

Total 15 marks

QUESTION FIVE

The following trial balance was extracted from the books of Kedenko Society as at 30 September 2021:

	Sh.	Sh.
Balance at bank current account	724,800	
Accumulated fund 1 October 2020		5,771,200
Land and building at cost	3,700,000	
Debtors for subscription	62,000	
Furniture and fittings	1,874,000	

Provision for depreciation of furniture and fittings		284,000
Subscriptions		1,450,800
Lecturers' fees	920,000	
Lecturers' travel and accommodation expenses	358,000	
Donations		108,000
Camera and projector repairs	17,000	
Projectors, cameras and audio equipment	190,400	
Depreciation of equipment		54,400
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	1,565,800	
Stock- bar I October 2020	473,600	
Bar receipts,		4,032,000
Bar purchases	2,842,000	
Restaurant receipts		3,642,000
Loan		1,600,000
Deposit account - bank	1,000,000	
Interest payable and 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 Sh.642.800 as at 30 September 2021.
2. It is expected that of the debtors for subscriptions, Sh.43.600 will not be collectable.
3. The interest account is net. The loan is at a concessional rate of 4% while 10% has been earned on the deposit account. No changes have taken place all year in the principal sums involved.
4. An invoice for Sh.43.000 of wine had been omitted from the records at the close of the year although the wine had been included in the bar stock valuation.
5. Depreciation for the year is to be provided as follows:
 - Furniture and fittings Sh. 194.000
 - Projectors. Cameras etc. Sh. 19.000

Required:

- a. Bar and restaurant trading account for the year ended 30 September 2021. (3 marks)
- b. An income and expenditure account for the year ended 30 September 2021. (7 marks)
- c. A balance sheet as at 30 September 2021. (5marks)

Total 15 marks

QUESTION SIX

- a. Explain how the following items are treated in accounts of a non-profit making organization:
 - i. Life membership fund (3 marks)
 - ii. Subscriptions (3 marks)
 - iii. Donations (3 marks)
- b. Explain the differences between the accounts of a non-profit making organization and a profit making organization (6 marks)

Total 15 marks