



MOI UNIVERSITY

**OFFICE OF THE DEPUTY VICE CHANCELLOR, ACADEMIC AFFAIRS,
RESEARCH & EXTENSION**

UNIVERSITY EXAMINATIONS 2016/2017 ACADEMIC YEAR

END OF SEMESTER EXAMINATIONS

**FOR THE DEGREE OF
BACHELOR OF BUSINESS MANAGEMENT**

EXAM CODE:- BBM 223

COURSE TITLE:- FINANCIAL ACCOUNTING II

DATE:- 7TH DECEMBER, 2016 TIME:- 9.00A.M – 12.00NOON.

INSTRUCTION TO CANDIDATES

> SEE INSIDE.

THIS PAPER CONSISTS OF (3) PRINTED PAGES

PLEASE TURN OVER

BBM 223: FINANCIAL ACCOUNTING II

Instructions to Candidates: Answer question **ONE** and any other **THREE** questions

QUESTION ONE

The following is the trial balance of ABC Ltd as at 31st Dec 2014

	<u>Shs</u>	<u>Shs</u>
Cash at Bank	109,100	
Trade Payables		149,700
7% Debentures		120,000
Trade receivables	210,000	
Discount on debentures	4,800	
Director's Salaries	94,000	
Furniture & fittings	178,000	
Goodwill	100,000	
Gross profit		599,000
Motor vehicles	450,000	
Cash received for disposal of Motor vehicle		146,000
Accumulated provision for depreciation of Motor vehicle		7,000
Preliminary expenses	8,700	
Retained earnings b/f		140,600
Rent and salaries	334,900	
Share capital (Authorized and Issued)		
25,000 Ordinary shares of Shs 20 each		500,000
5,000 6% Preference shares of Shs 20 each		100,000
Share Premium		120,000
Closing inventory	<u>392,800</u>	
	<u>1,882,300</u>	<u>1,882,300</u>

Additional information:

On 1st January 2014, a motor vehicle which costs Shs 30,000 was sold for Shs 7,000. No entries have been made to record the transaction. Depreciation for motor vehicle is provided for at 20% of cost and has not been provided for in the current year.

A provision for doubtful debts has been provided for at 4% of trade receivables

Provision for income tax is Shs 33,600

The debentures were issued on 31st Dec 2014 and no interest had accrued. They are secured on all the assets of the company.

The directors proposed a dividend of 5% on ordinary share capital and 6% on preference share capital for the current year.

Required:

- i. Statement of Comprehensive incomes for the year ended 31st Dec 2014 (5 Marks)
- ii. Plant, Property and Equipment Schedule (5 Marks)
- iii. Statement of Changes in equity (5 Marks)

QUESTION TWO

X, Y & Z are partners sharing profits and losses equally. The balance sheet as 31st Dec 2015 is as follows:

<u>BALANCE SHEET</u>			
Capital a/cs		Assets	
X	60,000	Furniture	3,800
Y	30,000	Inventory	24,000
Z	10,000	Debtors	97,000
	100,000	Cash at bank	6,200
Current a/cs			
X	7,000		
Y	7,000		
Z	(30,000)		
	(16,000)		
Current Liabilities			
Sundry creditors	38,000		
Bills payable	<u>9,000</u>		
	<u>131,000</u>		<u>131,0000</u>

The partnership was dissolved and the assets realized 103,800.

Required:

Write up realization account, capital and bank accounts to close the books of the partnership

(5 marks)

b) A, B and C have been operating a partnership sharing profits and losses equally. The Balance sheet of the firm as at 31st Dec 2013 was as follows

<u>BALANCE SHEET</u>			
Capital a/cs		Assets	
A	500,000	Land and Buildings	1,200,000
B	1,000,000	Plant and Machinery	2,000,000
C	<u>(300,000)</u>	Inventory	3,000,000
Loan from banks	5,000,000	Debtors	
	1,000,000		
Creditors	<u>1,000,000</u>		
	<u>7,200,000</u>		<u>7,200,000</u>

On that day, it was decided to convert the partnership into a limited company on the following terms:

- a) Land and buildings to be valued at 1,500,000
- b) Plant and machinery was valued at 2,490,000

- c) 10% of the book value of inventory was declared obsolete and was subtracted from the total amount for inventory
- d) A provision for bad debts was made at 10% of debtors
- e) A discount of 6% was received from creditors
- f) The purchase consideration was agreed at 1,650,000. The ABC Ltd will issue 12,000 ordinary shares of Shs 100 each fully paid up and valued at 1,500,000 and the balance payable by issue of 12% debentures of Shs 1,000 each.

Required:

- i. Show the necessary ledgers to close the books of ABC Partnership (5 Marks)
- ii. Prepare the opening balance sheet for ABC Ltd as at 31st Dec 2013 (5 Marks)

(Total 15 marks)

QUESTION THREE

- i. Distinguish between a branch and a department (6 Marks)
- ii. What are the main advantages of departmental accounts (5 Marks)
- iii. List the common bases of apportioning expenses among departments (4 Marks)

(Total 15 marks)

QUESTION FOUR

Rohe Ltd operates a branch in Eldoret and sends good at cost plus 25%. The following information relates to the branch of Rohe Enterprises Ltd for the year 2015

Balances b/f at the beginning of the year

Branch stock (SP)	80,000
Branch debtors	65,000
<u>Closing stocks</u>	
Branch stocks (SP)	120,000
<u>Transactions for the year</u>	
Goods sent by head office (SP)	430,000
Goods returned by branch (SP)	15,000
Cash sales	150,000
Credit sales	460,000
Cash stolen	6,000
Goods stolen	5,000
Returns to branch (SP)	35,000
Cash received from debtors	430,000
Discount allowed	4,000
Bad debts w/o	6,000
<u>Expenses</u>	
Salaries	30,000
Rent and rates	20,000
General expenses	8,000

Required:

- i. Branch stock a/c (3 Marks)
- ii. Branch mark up a/c (3 Marks)
- iii. Goods sent to branch a/c (3 Marks)
- iv. Branch Debtors a/c (3 Marks)
- v. Branch Profit and loss a/c (3 Marks)

(Total: 15 marks)

QUESTION FIVE

XYZ ltd acquired 2 printing machines on 1st January 2008 for sh. 1.291,500. The cash price for these machines was sh. 900,000. The deal was financed by Kenya Traders Ltd. under terms of hire purchase contract required a deposit of sh. 300,000 on delivery, followed by a 3 months installment of 330,000/-, 330,000/- and 331,500.

The depreciation policy of XYZ was to write off 20% on straight-line basis.

Required

- i) Prepare the appropriate a/c of the books of XYZ to record the transactions (7 Marks)
- ii) On 25th June 2015, fire broke out in the premises of MrMwangi. All stocks were destroyed except for some which were partly damaged and were subsequently sold for Shs 7,900. From the following particulars, ascertain the claim to be forwarded to the insurance company assuming that the policy was for Shs 20,000.

Stocks on 1 st Jan 2015	Shs24, 400
Purchases up to the date of the fire	Shs 73,000
Sales up to the date of the fire	Shs 97,000
Purchases during the year	Shs 153,500
Sales during the year	Shs 196,500
Stock on 1 st Jan 2014	18,500

Required

- a) Ascertain the claim to be forwarded to the insurance company assuming that the policy was for Kshs. 20,000 (8 Marks)

(Total: 15 Marks)