



**MOI UNIVERSITY**

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

**UNIVERSITY EXAMINATIONS  
2014/2015 ACADEMIC YEAR**

***FIRST YEAR END OF SEMESTER EXAMINATIONS***

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

**EXAM CODE:-       BBM 122**

**COURSE TITLE:-   PRINCIPLES OF ACCOUNTING II**

**DATE:- 16<sup>TH</sup> APRIL, 2015**

**TIME:- 9.00A.M. – 12.00NOON.**

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**INSTRUCTION TO CANDIDATES**

➤ **SEE INSIDE.**

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**BBM 122: PRINCIPLES OF ACCOUNTING, 11**INSTRUCTIONS: *ANSWER QUESTION ONE ANY OTHER THREE QUESTIONS***QUESTION ONE**

- a) Outline the five provisions of Partnership Act. [5 marks]  
b) Kemboi, Wanjala and Kariuki are in partnership sharing profit and losses in the ratio 3:2:1. The following is the statement of financial position as at 31<sup>st</sup> December 2014.

**Statement of Financial Position as at 31<sup>st</sup> December 2014.**

<u>Fixed assets</u>	<u>sh (000)</u>	<u>sh (000)</u>
Premises		15,000
Vehicles		3,800
Furniture and fittings		<u>1,200</u>
		20,000
<u>Current assets</u>		
Stock	5,500	
Debtors	3,700	
Cash at bank	<u>1,400</u>	
	10,600	
<u>Current liabilities</u>		
Creditors	<u>(5,600)</u>	<u>5,000</u>
		<u>25,000</u>
<u>Financed by:</u>		
<u>Capital a/c</u>		
Kemboi	12,000	
Wanjala	8,000	
Kariuki	<u>4,000</u>	24,000
<u>Current a/c</u>		
Kemboi	2000	
Wanjala	1800	
Kariuki	<u>(2800)</u>	<u>1000</u>
		<u>25,000</u>

The partners decide to dissolve the partnership as at 1<sup>st</sup> January 2015. The premises and stock were sold for sh 13000,000. The debtors realized sh 3000,000. Motorcycles and furniture and fittings were sold for sh 2500000 and sh 1100000 respectively. Kariuki is declared insolvent.

**Required:**

- i. Realization account [7½ marks]  
ii. Capital account [7½ marks]  
iii. Bank account [5 marks]

## QUESTION TWO

Makini schools prepare accounts to 31<sup>st</sup> august. A trial balance for the academic year ended 31<sup>st</sup> august 2013 is summarized below:-

	<u>Sh'000'</u>	<u>sh'000'</u>
Teachers salary	38000	
General salaries and operating costs	49000	
Catering	14000	
Bursaries	3000	
Estate premise and furniture at cost	235000	
2012 building appeal-short term deposit	21000	
Stock and debtors	6000	
Balance with bank and cash in hand	4000	
Investment at cost (bursary fund)	10,000	
Provision for extension and improvement		20000
Fees-borders		105000
Day scholars		105000
Contribution from resident staff for meals		2000
Capital a/c on 31 <sup>st</sup> August 2012		200000
Income and expenditure a/c 31st August 2012		4000
2012 building appeal-collections and income to date		21000
Bursary fund –		
Capital		10000
Income		500
Creditors for supplies e.t.c		<u>7000</u>
	<u>380000</u>	<u>380000</u>

The following adjustments are to be effected in the income and expenditure account before finalizing the account- shs. (000)

i. Provide for extension and improvement	10000
ii. Provide for unpaid operating costs	1500
iii. Write off the net costs of bursaries	1500

The school re-opened in September 2013 with 260 borders, 50 day boys and 2 additional teachers.

Expected variations to receipts and payments during the academic year ending 31<sup>st</sup> August 2014

Comprise: -	<b>shs</b>	<b>(000)</b>
i. 2012 building appeal receipt (gross)		2000
ii. Legacy		10000
iii. Increase in contribution from staff for meals		280
iv. Salaries of 2 teachers at rates operative in 2013(Sept)		4000
v. Increase in catering costs		1000
vi. Cost of new teaching block		30000



- vii. Allocation for extension for improvements to be increased from sh 10,000,000 to 12,500,000
- viii. Increase in operating costs 1300
- ix. Withdrawal from short term deposits 18000
- x. Bursaries increased to 3900
- Provision to be made for an expected increase at the rate of 12% per annum on teachers' salaries operatives from 1<sup>st</sup> may 2014.
  - School fees are to be increased as from third term June-August 2014. Day boys will be charged sh 80 a term and borders fee calculated to provide a credit balance of sh 2600 in the income and expenditure budget for the year ending on 31<sup>st</sup> August 2014. All other income and expenditure is anticipated to be the same as in the year ended 31<sup>st</sup> August 2013.

**Required:**

- i. Income and expenditure account for the year ended 31<sup>st</sup> August 2013. [5 Marks]
- ii. Income and expenditure account for year ended 31<sup>st</sup> August 2014. [5 marks]
- iii. Statement of financial position as at 31<sup>st</sup> August 2013. [5 marks]

**QUESTION THREE**

- a. Briefly explain the rule in Garner Vs Murray (1903). [5 marks]
- b. Kibet and kipchumba are in partnership and share profits and losses in the ratio 3:2. On 31<sup>st</sup> December 2013 their statement of financial position was as follows:-

**statement of financial position**  
**as at 31<sup>st</sup> December 2013.**

	sh '000'	sh '000'
<b><u>Fixed assets</u></b>		
Freehold property		20,000
Motorcars		5,000
Office equipment		<u>3000</u>
		<u>28,000</u>
<b><u>Current assets</u></b>		
Stock	3000	
Debtors	2500	
Cash at bank	<u>1500</u>	
	<u>7000</u>	
<b><u>Less: current liabilities</u></b>		
Creditors	<u>(5000)</u>	<u>2000</u>
		<u>30,000</u>

**Financed by:-**

Capital- kibet	20,000
Kipchumba	<u>10,000</u>
	<u>30,000</u>

On 1<sup>st</sup> January 2014, they admit Odhiambo as their partner on the following conditions:-

- Odhiambo to bring in sh 10,000 as capital
- The profit sharing ratio would be 3:1:1
- It was agreed to revalue certain assets before admitting Odhiambo as follows:

	Sh '000'
Freehold property	27000
Motorcars	4000
Office equipment	2500
Stock	3750

**Required:**

- Revaluation account [2 marks]
- Prepare the partners capital account [3 marks]
- Show the statement of the financial positions after admission of Odhiambo. [5 marks]

**QUESTION FOUR**

- a) Explain the following concepts:
- Accumulated fund [2 marks]
  - Life membership [2 marks]
  - Donations [2 marks]
  - Legacies [2 marks]
- b) AB Ltd sold goods valued at sh 50,000 to XY Ltd on 31<sup>st</sup> May 2009 and draw them a three month bill of exchange for that amount. XY Ltd accepted the bill on July 31<sup>st</sup> 2009, XY Ltd expressed their liability to meet the bill and offered to pay AB Ltd sh 10,000 in cash and to accept a fresh bill for the balance plus interest at 10% p.a for three months, AB Ltd agreed to the proposal and the bill was renewed. This amount was paid by XY Ltd on 31<sup>st</sup> October 2009

**Required:**

Show the relevant entries in the ledgers of AB Ltd. [7 marks]

**QUESTION FIVE**

- a) The Wide Trading Company Limited has an authorized capital of Sh.500, 000 divided into 5,000 ordinary shares of Sh.100 each.
- On 1 January 2001, 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 2001 when allotment was made. The allotment money was receivable by 15 February 2001. The first and final call was made on 15 March 2001 and the call money receivable by 31 March 2001. 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 2001 and sold for cash at Sh.85 each in 12 April 2001.

**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 2001 [3 marks]

**QUESTION SIX**

Write short notes on the following terms as used in accounting:

- i) Share premium [2 marks]
- ii) Rights issue [2 marks]
- iii) Capital redemption reserve fund [4 marks]
- iv) Balance sheet and statement of affairs. [4 marks]
- v) Reserves and share capital [3 marks]