

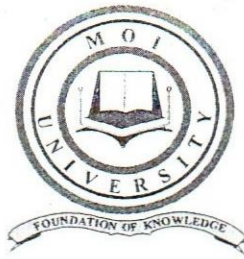
BBM 122: PRINCIPLES OF ACCOUNTING II
MAIN EXAMINATION

Instructions: Answer Question ONE and other any Three Questions

QUESTION ONE

- a) Explain what a partnership deed is and highlight the contents contain therein. [6 marks]
- b) The following list of balances as at 30th September 2015 has been extracted from the books of A and B, trading partnership, sharing the balance of profits and losses in the proportions 3:2 respectively.

	shs
Printing, stationery and postage	3,500
Sales	322,100
Stock in hand at 1 October 2014	23,000
Purchases	208,200
Rent and rates	10,300
Staff salaries	36,100
Telephone charges	2,900
Motor vehicle running costs	5,620
Discounts allowable	950
Discount receivable	370
Sales returns	2,100
Purchases returns	6,100
Carriage inwards	1,700
Heat and Light	8,700
Carriage outwards	2,400
Fixtures and fittings: at cost	26,000
Provision for depreciation	11,200
Motor vehicles: at cost	46,000
Provision for depreciation	25,000
Provision for doubtful debts	300
Drawings:	
A	24,000
B	11,000
Current account balances	
At 1 st October 2014:	
A	3,600
B	2,400
Capital account balances	
At 1 st October 2014:	
A	33,000
B	17,000
Debtors	9,300
Creditors	8,400
Balance at bank	7,700



MUEO

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
IN BACHELOR OF BUSINESS AND ECONOMICS**

EXAM CODE:- BBM 122

COURSE TITLE:- PRINCIPLES OF ACCOUNTING II

DATE:8TH JUNE, 2017

TIME:- 2.00P.M. – 5.00P.M.

INSTRUCTION TO CANDIDATES

➤ SEE INSIDE.

THIS PAPER CONSISTS OF (3) PRINTED PAGES

PLEASE TURN OVER

Provision for doubtful debts	18,000
Retained profit 1 st October 2013	362,000
Goodwill	160,000
Bank overdraft	25,000

The following additional information is available:

- i. Depreciation is provided annually on the cost of fixed assets held at the end of the financial year at the following rate:

Freehold buildings	20%
Fixtures and fittings	10%
- ii. The trade debtor's balance includes Sh. 10,000 due from Musa who has now been declared bankrupt. In the circumstances, it has been decided to write the debt off as a bad debt.
- iii. The provision for doubtful debts as at 30th September 2014 is to be 5 % of trade debtors.
- iv. Establishment expenses prepaid at 30th September 2014 amounted to Sh.4, 000.
- v. Administration expenses accrued at 30th September 2014 amounted to Sh.7, 000.
- vi. The company paid the interest on the loan stock for the year, ended 30th September 2014 on 30th October 2014.
- vii. Closing stock was valued at Sh.560, 000.
- viii. The company's directors propose that the preference share dividend be paid and a dividend of 10% ordinary shares be paid.

Required:

- a. Trading and profit and loss account and appropriation account for the year ended 30th September 2014 of Wamu Traders Ltd. (8 marks)
- b. Balance sheet as at 30th September 2014. (7 marks)

[Total: 15 marks]

QUESTION THREE

- a) The following trial balance was extracted from the books of Literary and, Philosophical Society as at 30th September 2010:

	Sh.	Sh.
Balance at bank current account	724,800	
Accumulated fund 1 October 2009		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

Additional information

- i. Shs 10,000 is to be transferred from A's capital account to a newly opened A Loan Account on 1 July 2015.
- ii. Interest at 10 % per annum on the loan is to be credited to A.
- iii. B is to be credited with a salary at the rate of shs 12,000 per annum from 1 April 2015.
- iv. Stock in hand at 30th September 2015 has been valued at cost at shs 32,000.
- v. Telephone charges accrued due at 30st September 2015 amounted to shs 400 and rent of shs 600 prepaid at that date.
- vi. During the year ended 30st September 2015 Stone has taken goods costing shs 1,000 for his own use.
- vii. Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%

Required: Prepare the following statements as used in accounting:

- i. A Trial Balance as at 1st October, 2014 (3 marks)
- ii. A trading and profit loss account for the year ended 30 September 2015. (9 marks)
- iii. Appropriation account for the period ended 30th September, 2015. (2 marks)
- iv. A balance sheet as at 30th September 2015 (5 marks)

[Total: 25 marks]

QUESTION TWO

- (a) The following balances were extracted from the books of Wamu Traders Ltd.as at 30 September 2014:

	Sh.	Sh.
Ordinary shares of Sh.20 each. Fully paid	600,000	
8% preference shares Sh.20 each. Fully paid	100,000	
Share premium account	80,000	
6% loan stock	100,000	
Trade creditors	148,000	
Trade debtors	330,000	
Sales	4,800,000	
Purchases	4,220,000	
Discounts allowed	5,000	
Discounts received	13,000	
Freehold buildings:		
At cost	500,000	
Provision for depreciation	50,000	
Fixtures and fittings:		
At cost	640,000	
Provision for depreciation	256,000	
Stock 1 st October 2013	420,000	
Returns outwards	80,000	
Establishment expenses	130,000	
Administration expenses	56,000	
Selling and distribution expenses	167,000	
Bad debts written off	4,000	

Additional information:

- i. Applications were received for 8,000 shares and allotment was made on pro rata to the applicants for 7,400 shares.
- ii. Money overpaid on application by the allottees was employed on account of sums due on allotment.
- iii. Kioko to whom 240 shares were allotted, failed to pay the allotment money and on his failure to pay the first call, his shares were forfeited.
- iv. Juliet the holder of 160 shares failed to pay the two calls and her shares were forfeited after the 2nd call.
- v. The shares forfeited were sold to Kiptoo credited fully paid for Shs. 9 per share.

Required:

- i. Journal entries or account entries [9 marks]
 - ii. Cash book [3 marks]
- [Total: 15 marks]

QUESTION FIVE

- a) Discuss grounds on which a partnership business can be dissolved. [6 marks]
- b) Explain the concept in Garner vs. Murray in dissolution of partnership. [4 marks]
- c) Explain events that take place during retirement of an old partner as well as when a partner is admitted in the partnership firm. [5 marks]

[Total 15 marks]

QUESTION SIX

- a) Explain the treatment of the following items as per the rules of non – trading organizations:
 - i. Bonus shares [1 Marks]
 - ii. Allotment [1 Marks]
 - iii. Subscriptions [6 Marks]
- b) Write short notes on the following as used in accounting for partnerships
 - i. Goodwill [3 Marks]
 - ii. Revaluation of assets [3 Marks]
 - iii. Forfeiture of shares [1 Marks]

[Total: 15 marks]

END

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 2009	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:

- The bar stock was valued at Sh.642, 800 as at 30th September 2010.
- It is expected that of the debtors for subscriptions, Sh.43, 600 will not be collectable.
- 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.
- 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.
- Depreciation for the year is to be provided as follows:

Furniture and fittings	Sh. 194, 000
Projectors, Cameras & equipment	Sh. 19, 000

Required:

- Bar and restaurant trading account for the year ended 30th September 2010. [4 marks]
 - An income and expenditure account for the year ended 30th September 2010. [7 marks]
 - A balance sheet as at 30th September 2010. [4 marks]
- [Total: 15 marks]**

QUESTION FOUR

- Distinguish between ordinary shares and preference shares (3 Marks)
- Walimu Ltd issued a prospectus inviting applications for 5,000 Ordinary shares of shs. 12 each at a premium of Shs 3 per share payable as follow:

On application	Shs.3
On allotment (including premium)	Shs. 6
On first call	Shs. 3
On final call	Shs. 3