

KABARAK



UNIVERSITY

UNIVERSITY EXAMINATIONS

2009/2010 ACADEMIC YEAR

FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

COURSE CODE: ACCT 510

COURSE TITLE: FINANCIAL ACCOUNTING

STREAM: MBA

DAY: THURSDAY

TIME: 5:30 – 8:30P.M.

DATE: 19/08/2010

INSTRUCTIONS:

Attempt Question ONE and any other THREE Questions

PLEASE TURNOVER

Question One (a)

Briefly highlight the role played by accounting in the development of the society (5 Mks)

Question One (b)

Explain the accounting concepts and show their effects in the field of Accountancy (10 Mks)

Question One (c)

The following transactions relate to Kamau Enterprises for the month of Dec 2009

2009

- Dec 1 Kamau commenced business with cash Shs 150,000 and furniture worth Shs 20,000
- “ 3 Opened a Bank Account and deposited Shs 50,000
- “ 4 Purchased goods Shs 20,000
- “ 5 Cash sales Shs 7,000
- “ 6 Deposited Shs 20,000
- “ 7 Purchased goods by a crossed cheque Shs 30,000
- “ 10 Withdrew from Bank for personal use Shs 5,000
- “ 12 Hired an Agent on commission and paid him Shs 5,000
- “ 14 Sold goods to Ronald Shs 7,500
- “ 15 Sold goods worth Shs 8,000
- “ 18 Received from Ronald through cheque Shs 7,000 as full settlement, the cheque was deposited to Bank immediately
- “ 20 Purchased goods on credit from Sam Shs 8,800
- “ 23 Purchased goods whose list price was Shs 6,000 from Mbuthia at 10% trade discount and 3% cash discount and paid 80% of the price in cash
- “ 24 Paid Sam Shs 8,000 as full settlement
- “ 28 Paid rent Shs 2,000 and salaries Shs 10,000
- “ 31 Accounts were closed

Required:

- i) Journal entries to record the above transactions in the books of Kamau Enterprises
 - ii) Ledgers (including a Three Column Cash Book)
 - iii) A Trial Balance
- (25 Mks)

Question Two (a)

On 6 September 2007, the IASB issued a revised IAS 1 Presentation of Financial Statements. Outline the main changes from the previous version and their requirements on an entity. (5 Mks)

Question Two (b)

The following were extracts from the Cash Book (Bank Column) of X Enterprises in Nyahururu on 31st December 2009

Cash Book (Bank Column)

Dr					Cr
Date	Particulars	Amount	Date	Particulars	Amount
2009			2009		
Dec 1	Balance b/d	20,000	Dec 2	Drawings a/c	8,000
“ 5	Mwangi	16,000	“ 6	Naomi	10,000
“ 7	Simiyu	2,500	“ 14	Shilaha	15,000
“ 16	Shadrack	18,000	“ 17	Sam	20,000
“ 25	Dan	8,000	“ 27	Steve	7,000
“ 29	Norman	2,500	“ 29	George	2,000
“ 30	Rono	5,000	“ 30	Balance c/d	10,000
		<u>72,000</u>			<u>72,000</u>

On 31st Dec 2009, X Enterprises received the following statement from its Bank

		Dr	Cr	Balance
		Shs	Shs	Shs
Dec 1	Balance (Cr)			20,000
“ 2	Drawings	8,000		12,000
“ 7	Mwangi		16,000	28,000
“ 8	Naomi	10,000		18,000
“ 10	Simiyu		2,500	20,500
“ 17	Shilaha	15,000		5,500
“ 19	Shadrack		18,000	23,500
“ 28	Bank Charges	1,500		22,000
“ 30	Interest		2,000	24,000

Required:

Bank Reconciliation Statement as on 31st Dec 2009

(15 Mks)

Question Three

The following are Trial Balance extracts of a Toy Manufacturing Company for the year ended 31st Dec 2010

	Shs		Shs
Capital	350,000	Stock of finished products	
Drawings	100,000	(on 1 st January 2010)	100,000
Loan (6%)	60,000	Stock of raw material	
Factory Building	160,000	(on 1 st January 2010)	30,000
Plant and Machinery	120,000	Stock of work-in-progress	
Debtors	320,000	(on 1 st January 2010)	40,000
Creditors	360,000	Advertisement	20,000
Patent rights	60,000	Office salaries	60,000
Purchase of raw materials	350,000	Office rent	40,000
Sales less sales returns	1,000,000	Carriage inwards	20,000
Factory rent and rates	20,000	Discount allowed (Dr)	10,000
Wages	200,000	Discount received (Cr)	20,000
Salaries of works Manager	60,000	Factory Expense	30,000
Cash in hand	10,000	Provision for Doubtful Debts	
Cash at Bank	40,000	(on 1 st January 2010)	10,000
Bad Debts	10,000		

Additional information:

- i. Closing stock: Raw materials Shs 40,000, Work-in-progress Shs 50,000 and Finished products Shs 200,000
- ii. Outstanding Wages Shs 10,000, Outstanding Salaries Shs 110,000, Outstanding sales Manager's Commission Shs 12,800
- iii. Bad Debts to be written off are Shs 10,000, provision for Doubtful Debts @ 5% and provision for discount on Debtors @ 2 ½ %
- iv. Depreciation on Building 2%, on Plant and Machinery 5%, on Patent Rights 10%
- v. Interest on Capital 5% p.a.
- vi. No interest on drawings

Required

- i. Manufacturing, trading and Profit Account (for the year ended 31st Dec 2010)
- ii. Balance Sheet (as on 31st Dec 2010)

(20 Mks)

Question Four

Victory Sports Club had the following assets and liabilities on 31st December of the following years:

	2008	2009
	Shs	Shs
Accumulated Funds	50,000	48,000
Outstanding salaries	700	-
Refreshments bill owing by Club	-	400
Sports Ground	25,000	24,500
Furniture	1,300	1,000
Sports Kit at valuation (fixed asset)	12,000	10,000
Uniforms (fixed assets)	6,500	6,800
Subscription due from Members	500	300

The following is the Club's Receipts and payments Account for the 2009:

Receipts and Payments A/c

Dr			Cr
<i>Receipts</i>	<i>Amount</i>	<i>Payments</i>	<i>Amount</i>
Balance b/d	5,400	Salaries	6,200
Subscriptions	23,000	Travelling	7,800
Donations	2,100	Stationery & Postage	600
Gate fees	6,500	Electricity & Telephone	500
Sale of old Sports Kit	1,000	Refreshments	5,200
		Purchase of new Sports Kit	4,000
		Purchase of new Uniforms	3,800
		Repairs to Sports Kit	700
		Maintenance of Sports Ground	3,400
		Balance c/d	<u>5,800</u>
	<u>38,000</u>		<u>38,000</u>

Old Sports Kit sold had during the year 2009 had a book value of Shs 1,500

Required:

- i. Club's Income and Expenditure Account for the year ended 31st Dec 2009
- ii. Balance Sheet as at 31st Dec 2009 (20 Mks)

Question Five

Helen and Peter are partners sharing profits and losses in the ratio 3:2. The following is the Trial Balance for the year ended 31st Dec 2009.

Trail Balance		
Particulars	Amount (Dr)	Amount (Cr)
Capital Account on 1 st January 2009:		
Helen	-	16,400
Peter	-	13,200
Drawings:		
Helen	3,600	-
Peter	2,400	-
Provision for doubtful debts	-	480
Purchases	101,640	-
Sales	-	131,860
Vans (at cost)	11,600	-
Fittings (at cost)	2,400	-
Provision for depreciation:		
Vans	-	5,920
Fittings	-	1,140
Stock (1 st January 2009)	17,360	-
Petty Cash	40	-
Office expenses	6,400	-
Vehicle expenses	3,960	-
Motor Car (at cost) 1 st January 2009	1,600	-
Debtors	12,200	-
Creditors	-	4,200
Bank (Overdraft)	-	540
Salaries	7,360	-
Insurance	620	-
Discount allowed	<u>2,560</u>	-
	<u>173,740</u>	<u>173,740</u>

Additional information:

1. Stock on 31st December 2009 was valued at Shs 26,380
2. Depreciation is to be computed at 10% per annum on the written down value of the Fittings and 20% per annum on the written down value of Van and Motor Car
Helen is to bear personally Shs 400 of the vehicle expenses and ½ of the depreciation charge on the Motor Car

3. No rent has been paid on the business premises during the year due to some disagreements with the landlord. The rental agreement provides for rent of Shs 928 per year.
4. Bad debts of Shs 200 are to be written off and a provision of bad and doubtful debts to be provided at 2 ½ % of the remaining debtors
5. Insurance premium of Shs 70 has been paid in advance
6. Salaries amounting to Shs 370 were outstanding on 31st Dec 2009
7. A item of Shs 70 for bank charges appear in the Bank statement for the year ended 31st Dec 2009
8. The partners are entitled to interest on capital at 10% per annum
9. Partners' capitals are fixed

Required:

- i. Trading Profit and Loss Account for the year ended 31st Dec 2009
- ii. Profit and Loss Appropriation Account
- iii. Partners' Current Accounts
- iv. Balance Sheet (as at 31st Dec 2009)

(20 Mks)