

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: WEDNESDAY

TIME: 5:30 – 8:30P.M.

DATE: 03/02/2010

INSTRUCTIONS:

Answer 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 marks)**
- (b) The following transactions relate to KK Enterprises for the month of December 2009.

2009

- Dec 1 Balance: Cash in hand Shs.4,000
Bank overdraft Shs.50,000
- “ 4 Introduced cash Shs.100,000 as further capital of which Shs.50,000 was deposited into Bank
- “ 5 Cash sales Shs.30,000
- “ 6 Received an open Cheque from Rotich Shs.80,000 after allowing a discount of Shs.2,000
- “ 10 Purchased goods whose list price is Shs.6,000 from Mbuthia at 10% trade discount and 3% cash discount and paid 80% price in cash
- “ 10 Purchased goods by a crossed Cheque Shs.30,000
- “ 11 Paid Shs.25,000 by Cheque to Ronald after receiving a discount of Shs.1,000
- “ 12 Paid commission to an agent Shs.5,000
- “ 15 Furniture purchased Shs.20,000
- “ 16 Rent paid Shs.1,000
- “ 17 Withdrew from Bank for personal use Shs.10,000
- “ 18 Cash sales Shs.50,000
- “ 20 Shs.40,000 received from Vincent and deposited in Bank on 22nd December
- “ 23 Interest received by Cheque Shs.1,000 and deposited into Bank on the same day
- “ 28 Salary paid by Cheque Shs.20,000
- “ 31 Deposited cash into Bank Shs.90,000
- “ 31 Accounts were closed

Required:

- i) Journal Entries for the above transactions
- ii) Ledgers (including a Three Column Cash Book)
- iii) Trial Balance **(20 Marks)**

QUESTION TWO

- (a) Describe the concepts underlying the field of accounting. **(7Marks)**
- (b) Gitau, Wanyama and Kiprono are in a partnership with capitals of Shs.200,000, Shs.80,000 and Shs.20,000 respectively.

Their partnership deed provides for the following:

- a) Interest on capital 4% p.a.
- b) Interest on drawings at 5% p.a.
- c) Wanyama and Kiprono to receive salaries amounting to Shs.22,000 each p.a.
- d) Profits and losses to be shared among the partners in the ratio 6:3:1 for Gitau, Wanyama and Kiprono respectively

The following information is available for the year ended 31st Dec 2009.

1. Current account balances on 1st Jan 2009 were:
 - a. Gitau – Credit balance of Shs. 6,200
 - b. Wanyama – Credit balance of Shs.3,800
 - c. Kiprono – Debit balance of Shs 1,900

2. During the year quarterly drawings were as follows:
 - a. Gitau – Shs 2,400
 - b. Wanyama – Shs 1,800
 - c. Kiprono – Shs 1,800

3. Net profit for the year ended 31st December 2009 was Shs 105,600

Required:

- i) Profit and Loss Appropriation Account for the year ended 31st Dec 2009
- ii) Partners' Current Account **(18 Marks)**

QUESTION THREE

Assets and liabilities of Gilgil sports Club during the year ended 31st Dec 2009 are as follows:

	1 st Jan 2009	31 st Dec 2009
	Shs	Shs
Accumulated funds	133,770	126,700
Pavilion at cost less depreciation	130,980	126,000
Bar Stock	2,910	3,940
Bar debtors	2,310	500
Rates prepaid	680	760
Contribution owing to sports club by users of club facilities	7,780	4,250
Bar creditors	4,270	9,010
Loans to sports club	10,800	9,100
Outstanding – Water	130	230
- Electricity	1,300	350
- Miscellaneous	750	-
- Loan interest	330	-
Contributions paid in advance to sports club by users of sports club facilities	3,980	6,570
Rent paid	-	160
Creditors for bar sundries	-	650

The treasurer has provide the following receipts and payments account for the year ended 31st Dec 2009

Receipts and Payments accounts
(for the year ended 31st Dec 2009)

Receipts	Amount (Shs)	Payments	Amounts (Shs)
Opening balances	10, 670	Bar purchases	29,370
Bar sales	40,300	Repayment of loan Capital	1,700
Telephone	340	Rent of ground	790
Contribution from Users of Club Facilities	17,800	Rates	3,200
Socials	1,770	Water	380
Miscellaneous	560	Electricity	5,060
		Insurance	2,210
		Repairs to equipments	3,260
		Expenses for socials	670
		Maintenance of ground	1,330
		Wages of grounds man	1,400
		Telephone	1,030
		Bar Sundries	1,440
		Loan interest	970
		Miscellaneous	1,630
		Closing balance	17,000
	<u>71,440</u>		<u>71,440</u>

Nets profit earned by Bar the amounted to Shs 3,320

Required:

- i) Income and Expenditure Account for the year ended 31st Dec 2009
- ii) Balance Sheets as on 31st Dec 2009 **(25 Marks)**

QUESTION FOUR

- (a) Describe the accounting cycle **(6 marks)**
- (b) List and explain any four reasons for maintaining Control Accounts. **(4 Marks)**
- (c) Prince owned a patent of a safety lock. He granted Queen a license for seven years to manufacture and sell the locks on the following terms:
 - i) Queen to pay Prince a royalty of Shs 5 for each lock sold with a minimum annual payment of Shs 50,000. Accounts are to be settled annually on Dec 31st.
 - ii) If in any year, the royalties calculated on the basis of locks sold amounted to less than Shs 50,000, Queen to have the right to deduct the deficiency from the royalties payable in excess of that sum in the following two years. The number of locks sold was as follows:-

Year	2006	2007	2008	2009
No. of Locks	8,000	9,000	11,000	18,000

Required:

- i) Royalty Account
- ii) Short-workings Account
- iii) Prince's Account in the books of Queen

(15 Marks)**QUESTION FIVE**The Trial Balance of X Toy Manufacturing Company as on 31st Dec 2008 was as under:

PARTICULARS	Dr	Cr
Stock on 01/01/2008 of:		
Raw Materials	2,100	
Finished Goods	3,890	
Work-in-progress	1,350	
Direct wages	18,000	
Factory wages	14,500	
Royalties (Direct)	700	
Carriage inwards (Raw Materials)	350	
Purchase of Raw Materials	37,000	
Production Machinery (Cost Shs 28,000)	23,000	
Office Machinery (Cost Shs 2,000)	1,200	
General Factory expenses	3,100	
Lighting	750	
Factory Power	1,370	
Administrative salaries	4,400	
Sales Representative salaries	3,000	
Commission on sales	1,150	
Rent	1,200	
Insurance	420	
General Administration expenses	1,340	
Bank charges	230	
Discount allowed	480	
Carriage outwards	590	
Sales		100,000
Debtors	14,230	
Creditors		12,500
Bank	5,680	
Cash	2,550	
Drawings	2,000	
Capital (01/01/2008)		29,680
Provision for Bad Debts		800
Bad Debts	400	
Interest on Investment		2,000
	<u>144,980</u>	<u>144,980</u>

Additional information:

- i) Closing stock of: Raw Materials Shs 2,400
Finished Goods Shs 4,000
Work-in-progress Shs 1,500
- ii) Lighting, Rent and Insurance expenses are to be apportioned in the ratio 4:2 for Factory and Administration respectively
- iii) Depreciation on Production Machinery and Office Machinery at 10% p.a. on cost
- iv) Outstanding Administrative salaries amounts to Shs 150
- v) Commission on sales paid in advance amounts to Shs 100
- vi) Provide for Bad debts @ 5% of Debtors
- vii) Interest on investments due but not yet received amounts to Shs 100

Required:

- i) Manufacturing, Trading, Profit and Loss Account for the year ended 31st Dec 2008
- ii) Balance Sheet as at 31st Dec 2008. **(25 Marks)**