

KABARAK



UNIVERSITY

**UNIVERSITY EXAMINATIONS
2009/2010 ACADEMIC YEAR
FOR THE DEGREE OF BACHELOR OF
COMMERCE**

COURSE CODE: ACCT 120

**COURSE TITLE: FUNDAMENTALS OF
ACCOUNTING II**

STREAM: Y1S2

DAY: THURSDAY

TIME: 3:00 – 5:00 P.M.

DATE: 08/04/2010

INSTRUCTIONS:

1. Answer all questions.
2. All question carry equal marks.

PLEASE TURNOVER

QUESTION 1

The following balances were extracted from the books of Charles and James partnership on 31st December 1990.

	Shs.
Capital Accounts	
Charles	225,000
James	120,000
Current Accounts:	
Charles	2,240
James	1,050
Freehold premises	148,000
Motor vehicles (cost Shs. 156,000)	138,500
Furniture and Fittings (cost shs.29,400)	19,600
Cash at Bank	25,375
Creditors	53,200
Debtors	48,000
Drawings:	
Charles	35,000
James	17,500
Sales	890,820
Stock	63,000
Purchase	647,430
Salaries	114,450
Rent and insurance	12,425
Electricity	3,430
General expenses	19,600

Additional information:

- (i) The partnership agreement provides for:
 - Profits and losses to be shared in the ratio of 3:2 by Charles and James respectively.
 - An interest on fixed capital at 10% per annum
 - Annual salaries of Shs 24,500 and Shs21,000 to Charles and James respectively.
 - (ii) As at 31st December 1990, stock was valued at Shs 66,500, rent accrued amounted to Shs. 700 while preparing insurance was Shs 875.
 - (iii) Depreciation is provided for as follows:
 - Motor vehicles, 20% per annum on cost.
 - Furniture and fittings, 10% per annum on reducing balance method.
- Required:
- (a) Trading, profit and Loss and Appropriation Account for the year ended 31st December 1990.
 - (b) Balance sheet as at 31st December 1990. (25 marks)

QUESTION 2

The following balances have been extracted from the books of Limuru Manufacturers, a small scale manufacturing enterprise, as at 31st December 2002:

		Shs. '000'
Stocks as at 1 st January 2002:	Raw materials	7,000
	Work in progress	5,000
	Finished goods	6,900
Purchase of raw materials		38,000
Direct labour		28,000
Factory overheads:	Variable	16,000
	Fixed	9,000
Administrative expenses:	Rent and rates	19,000
	Lighting	6,000
	Stationery and postage	2,000
	Staff salaries	19,380
Sales		192,000
Plant and machinery	At cost	30,000
	Provision for depreciation	12,000
Motor vehicles (for sales deliveries):	At cost	16,000
	Provision for depreciation	4,000
Creditors		5,500
Debtors		28,000
Drawings		11,500
Balance at bank		16,600
Capital at 1 st January 2002		48,000
Provision for unrealized profit at 1 st January 2002		1,380
Motor vehicle running costs		4,500

QUESTION 3

The following balances remained in the books of Ahadi Ltd, as at 30 April 2003 after the preparation of the trading account:

	Shs.
Share capital, authorized and issued: 2,400,000 Sh.20 ordinary shares	48,000,000
800,000 8% Sh.20 preference shares	16,000,000
Stock -30 April 2003	33,540,800
Accounts receivable and prepayments	10,880,000
Accounts payable and accruals	5,488,800
Balance at Bank	3,118,400
10% debentures	6,400,000
General reserves	11,200,000
Bad debts.	136,000
Gross profit for the year	32,603,200
Salaries and wages	11,280,000
Rates and insurance	564,000
Postage and telephone	248,000
Water and electricity	486,400
Debenture interest	320,000
Director's fees	1,000,000
General expenses	1,243,200
Motor vehicles (cost Sh.11,640,000)	2,720,000
Office fittings and equipment (cost Shs. 17,856,000)	10,976,000
Land and buildings at cost	52,880,000
Profit and loss account – 1 st May 2002	9,700,800

Additional Information:

1. A bill for Sh 219,200 in respect of electricity for the period up to 30 April 2003 has not been accrued.
2. The amount for insurance include a premium of Sh. 120,000 paid in January 2003 to cover for six months, February to July, 2003.
3. Office fittings and equipment are to be depreciated at 15% per annum on cost and motor vehicles at 20% per annum on cost
4. Provision is to be made for:

Directors' fees	-	Shs 2,000,000
Audit fee	-	Shs. 480,000 to be transferred to general reserve

The outstanding debenture interest.

5. The directors have recommended that :
 - A sum of Shs. 4,800,000
 - The preference dividend be paid
 - A 10% ordinary dividend be paid.

Required:

- (a) Profit and loss and appropriation accounts for the year ended 30th April 2003
- (b) Balance sheet as at 30th April 2003. (25 marks)

QUESTION 4

KATC Social Club's summary of cash book as at 30 September 1992 was as follows:

Receipts	Shs.	Payments	Shs.
Balance at bank 1.10.91	23,000	Casual wages	72,000
Members subscriptions	500,000	Bar supplies	420,000
Entrance fees	320,000	Rates	12,000
Bar sales	600,000	Rent for 15 months	240,000
		To 31 st December 1992	
Competition receipts	260,000	Secretary's salary	180,000
		Utilities	50,000
		Competition prizes	144,000
		Stationary and postage	38,000
		Repairs to swimming pool	33,000
		Ground upkeep	45,000
		Barman's salary	54,000
		Deposit with savings	350,000
		and Loan ltd	
		Balance at bank 30/9/92	<u>65,000</u>
	<u>1,703,000</u>		<u>1,703,000</u>

The following additional information is provided:

- (i) At 1st October 1991 the Club's assets were: land and buildings shs 6,500,000, Swimming pool Shs. 2,500,000, Bar stocks Shs 108,000.
- (ii) Bar supplies owing amounted to Shs. 42,000 as at 1st October 1991.
- (iii) At 30th September 1992 bar stocks were Shs. 96,000 and bar supplies owing amounted to Shs 56,000
- (iv) Subscription unpaid at 30th September 1992 were Sh 51,000 and subscriptions received during the year included Shs. 25,000 in respect of the previous year and shs. 17,000 in respect of the year starting 1st October 1992.
- (v) Interest earned on the deposit with savings and Loans Ltd for the year to 30 September 1992 amounted to Sh. 17,000.
- (vi) The Swimming pool and buildings are to be depreciated at 10% and 5% respectively per annum. The cost of land only is Shs. 1,500,000.

Required:

- (a) Trading account showing the profit for the bar the year ended 30 September 1993
- (b) Income and expenditure account for the year ended 30th September 1992.
- (c) Balance sheet at 30th September 1992. (25 marks)