



KABARAK

UNIVERSITY

UNIVERSITY EXAMINATIONS

2010/2011 ACADEMIC YEAR

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: ACCT 120

COURSE TITLE: FOUNDATIONS OF ACCOUNTING II

STREAM: Y1S2

DAY: FRIDAY

TIME: 2.00 – 4.00 P.M

DATE: 18/03/2011

INSTRUCTIONS:

This paper contains **FOUR** questions

1. Answer **ALL** questions
2. Be clear and neat and show the necessary workings
3. Begin a new question on a new page

PLEASE TURNOVER

QUESTION ONE

The following trial balance has been extracted from the books of Mutongoria ltd as at 31st December 2010

	Shs.	Shs.
10% preference share capital		400,000
Ordinary share capital		1,400,000
10% Debentures (repayable 2015)		600,000
Goodwill at cost	510,000	
Buildings at cost	2,100,000	
Equipment at cost	240,000	
Motor vehicles at cost	344,000	
Provision for depreciation: buildings 31:12:2009		200,000
Provision for depreciation: equipment 31:12:2009		48,000
Provision for depreciation: Motor vehicle 31:12:2009		103,200
Stock 01:01:2010	169,824	
Sales		2,044,000
Purchases	878,200	
Carriage inwards	12,400	
Salaries and wages	384,800	
Director's remuneration	246,000	
Motor expenses	6,240	
Business rates and insurances	17,380	
General expenses	11,200	
Debenture interest	30,000	
Debtors	372,200	
Creditors		227,400
Bank	16,780	
General reserve		100,000
Share premium account		200,000
Interim ordinary dividend paid	70,000	
Profit and loss account 31:12:2009		86,424
	5,409,024	5,409,024

Additional information

- (i) Stock as at 31:12:2010 shs. 182,826
- (ii) Depreciate buildings shs. 20,000: motor vehicles shs. 36,000, equipment shs. 24,000
- (iii) Accrue debenture interest shs. 30,000
- (iv) Provide for preference dividend shs. 40,000 and final ordinary dividend of 10%
- (v) Transfer shs. 20,000 to general reserve
- (vi) Write off good will shs. 60,000 and provide for corporation tax shs. 100,000

Required:

Prepare the statement of comprehensive income for the year ended 31st December 2010 and a statement of financial position as at that date **(20 marks)**

QUESTION TWO

The following trial balance has been extracted from the books of Kitukidogo enterprises as at 31st December 2010:

	Dr	Cr
	Shs	Shs
	000	000
Sales		10,000
Carriage outwards	59	
Inventory of raw materials (01:01:10)	210	
Bank	168	
Inventory of finished goods (01:01:10)	389	
Work in progress (01:01:10)	135	
Wages	3,250	
Cash	15	
Drawings	600	
Royalties	70	
Capital		3,578
Carriage inwards (on raw materials)	35	
Purchases of raw materials	3,700	
Productive Machinery (Cost 2,800,000)	2,300	
Office Computers (Cost 200,000)	120	
General factory expenses	310	
Lighting	75	
Factory power	137	
Administration salaries	440	
Sales reps' salaries	300	
Commission on sales	115	
Rent	120	
Insurance	42	
General administration expenses	134	
Bank charges	23	
Discounts allowed	48	
Accounts receivable and accounts payable	1,423	640
	14,218	14,218

Additional information

- (i) Wages include factory direct wages of shs 1,800,000 and factory indirect wages of 1,450,000
- (ii) Inventory as at 31st December 2010 was as follows:
 - a) Raw materials shs. 240,000
 - b) Finished goods shs. 400,000
 - c) Work in progress shs. 150,000
- (iii) Lighting, rent and insurance are to be apportioned: factory 5/6, administration 1/6
- (iv) Depreciation on productive machinery and on office computers at 10% per annum on cost.

Required:

Manufacturing statement of comprehensive income for the year ended 31st December 2010 and a statement of financial position as at that date **(20 marks)**

QUESTION THREE

a) Explain the main causes of depreciation **(4 marks)**

b) Jookay ltd, at 31 December 2008 had a balance on its Motor Vehicles a/c of shs 4,000,000. This balance represents the vehicles at cost. The balance on the depreciation provision account as at the same date was shs 1,600,000.

The company's policy is to write off such vehicles at 20% straight line and depreciates assets in the year of purchase but not in the year of sale.

On 30th September 2009, the company sold one of its delivery vans for shs 60,000.

The van had been purchased five years earlier on 1 January 2005, for shs 600,000, at which time the company had estimated its useful economic life at five years and its scrap value after that time of shs 40,000.

Required:

For the year ended 31st 2009:

- (i) Determine the profit or loss on the disposal **(2 marks)**
- (ii) Show the provision for depreciation account **(3 marks)**
- (iii) Show the motor vehicle account **(3 marks)**
- (iv) Prepare the motor vehicle disposals account **(3 marks)**
- (v) Prepare an extract of the profit and loss account **(3 marks)**
- (vi) Prepare an extract of the statement of financial position **(2 marks)**

QUESTION FOUR

Uwongo and Porojo are in a business selling insurance policies. Their individual investments in the business on 1st January 2010 were: Uwongo shs. 480,000, Porojo shs. 320,000

The partnership agreement states the following:

- (i) The partners are entitled to a monthly salary of: Uwongo shs. 5,000; Porojo shs. 3,500
- (ii) Interest allowed on capital is at 8% p.a. while interest on drawings is at 15% p.a.
- (iii) Profits and losses are to be shared according to capital contributions.

During the year ended 31st December 2010, the partnership earned a net profit of shs.290,000 and that the partners drawings during the year were shs 75,000 and shs. 40,000 for Uwongo and Porojo respectively.

Required:

- (i) Profit and loss appropriation account for the year ended 31st December 2010
(6 marks)
- (ii) The partner's fluctuating capital accounts
(4 marks)