



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

SECOND YEAR EXAMINATION FOR THE AWARD OF THE DEGREE
OF BACHELOR OF SCIENCE IN AGRICULTURAL
EDUCATION AND ESTINSION
SECOND SEMESTER 2016/2017
[SEPTEMBER - DECEMBER 2016]

AGBM 210/301: FINANCIAL ACCOUNTING

STREAM: Y2S2

TIME: 2 HOURS

DAY: WEDNESDAY 9.00 AM - 11.00 AM

DATE: 21/12/2016

INSTRUCTIONS

1. *Do not write anything on this question paper.*
2. *Answer ALL questions in section A [COMPULSORY] and any other TWO questions of your choice from section B.*

SECTION A: COMPULSORY

1. a) Kamau and Njoroge are in partnership sharing profit and losses in the ratio 3:2 respectively after crediting their account with interest on capital at 10% p.a and monthly salaries of sh. 15,000 and 20,000 respectively. Interest on drawing is charged at 5% p.a. Their trial balance as at 31/12/03 after drawing profit and loss account is as follows:

	DR	CR
	Sh	Sh
Capital		500,000
Kamau		400,000
Njoroge		
Current		20,000
Kamau		10,000
Njoroge		
Drawing		

	225,000	
Kamau	215,000	
Njoroge		800,000
Net profit		
Fixed assets (Cost)		
Land & buildings	500,000	
Plant & machinery	300,000	
Motor vehicle	200,000	
Accumulated depreciation		100,000
Land & buildings		50,000
Plant & machinery		50,000
Motor vehicle		
Debtors	100,000	
Stock	200,000	
Cash	290,000	
	<u>100,000</u>	
Creditors	<u>2,030,000</u>	<u>2,030,000</u>

Required:

Draw the profit and loss appropriation account, the current account and the balance sheet as at 31st December 2003 (25 marks)

b) The Harambe Textile Mills Ltd offered 50,000 ordinary shares of Shs. 10 each for sale to the public as follows:

- i. Application money, Shs. 3 per share to be paid at the time of application by 5th March.
- ii. Allotment money, Shs. 3 per share, to be paid by 15th March
- iii. First and final call, Shs. 4 per share to be paid by 5th April

All moneys were promptly received and shares issued accordingly.

Required:

- i. Ordinary share capital account
- ii. Ordinary share application and allotment account
- iii. Ordinary shares first and final call account.
- iv. Cash account(15 marks)

SECTION B: CHOOSE ONLY TWO QUESTIONS

2. From the following information prepare the profit and loss account and balance sheet on 31st December 2005 for Maina.

	Shs.	Shs.
Gross profit		28,000
Rent	4,000	
Rates and taxes	6,000	
Salaries	15,000	
Stock	25,000	
Stationery	500	
Insurance	200	
Petrol and oil	300	
Heating and lighting	240	
Commission		2,040
Office expenses	100	
Carriage outwards	700	
Motor vans 1 st January 2005	10,000	
Furniture 1 st January 2005	3,000	
Capital		35,000
	65,040	65,040

Adjustments

- i. Shs 1,000 of rent and Shs 2,000 of rates and taxes were unexpired on 31st December 2005
- ii. Depreciate vans at 20% and furniture at 5% (15 marks)

3. Yakobo runs a business in Eldoret. His trial balance for the period ending 31/12/2004 is as follows:

Dr.	Cr.
Sh' 000	Sh'000

Land and building	5,000	
Motor vehicle	3,000	
Furniture	2,500	
Stock (1/1/04)	2,200	
Purchases	7,500	
Sales		16,000
Returns		400
Carriage in	800	
Rent	900	
Electricity	800	
Salaries & Wages	600	
Drawing 400		
Discount	600	800
Carriage out	500	
Bad debt	600	
Debtors & creditors	3,600	2,000
Provision for bad & doubtful debts		300
Capital		10,000
	29,500	29,500

Additional information

- i. Stock as at 31/12/2004 was Sh. 3,500,000
- ii. Provision for bad and doubtful debtors set to be increased by 2% of debtors
- iii. Motor vehicle expenses and electricity unpaid amount to Sh. 10,000 and 200,000 respectively
- iv. A fifth of the rent relate to the year 2005
- v. Unpaid salaries and wages amount to Sh 100,000
- vi. Depreciation is provided on motor vehicles and furniture at 15% and 10% respectively on cost

Required:

- a. Draw the trading, profit and loss account for the year ended 31/12.04
 - b. Draw the balance sheet as at 31/12/2004 **(15 marks)**
4. Discuss the following accounting principles, policies and concepts
- a) Going Concern
 - b) Accrual concept
 - c) Materiality
 - d) Substance over form
 - e) Prudent
- (15 marks)**