



UNIVERSITY EXAMINATIONS 2012/2013 ACADEMIC YEAR
1ST YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF
COMMERCE

COURSE CODE/TITLE: BAC 101: FUNDAMENTAL OF ACCOUNTING

END OF SEMESTER:II

DURATION: 3 HOURS

DAY/TIME:TUESDAY:8.00 TO 11.00 A.M. DATE:9/4/2013 (PL4/PL5)

INSTRUCTIONS

Attempt question **ONE (COMPULSORY)** and any other **TWO** questions.

Question One

a) Write short notes on the following:-

- i) Authorized capital
- ii) Issued capital
- iii) Called up capital
- iv) Uncalled capital

(10 marks)

b) The trial balance of Usinitie Nazi Ltd as at June 2010 is as follows:-

	DR	CR
	Shs	Shs
Share capital Authorised + Issued		700,000
Stock as at June 2009	410,000	
Debtors	361,780	
Creditors		155,427
10% debentures		200,000
Fixed asset replacement reserve		50,000
General reserve		100,000

Profit & Loss A/C as at 30 th June 2003		74,960
Debenture interest	10,000	
Equipment at cost	480,000	
Motor vehicle	390,000	
Bank	100,643	
Cash	7,350	
Purchases	140,000	
Sales		640,490
Returns inwards	13,964	
Carriage outwards	3,700	
Wage and salaries	30,300	
Discount allowed	14,640	
Directors remuneration	32,000	
Provision for depreciation: motors		10,200
Equipment		<u>127,800</u>
	<u>20,058,877</u>	<u>2,058,877</u>

Additional Information

- i) Stock on 30th June 2004 was shs 460,310
- ii) The share capital consisted of 50,000 ordinary shares of shs 10 each and 20,000, 10% preference shares was proposed to be paid as a dividend of 20% on ordinary shares.
- iii) Accrued rent sh.6,000 directors remuneration shs.20,500
- iv) Debenture interest ½ years interest owing
- v) Depreciation on cost: equipment 10%, motors 20%.
- vi) Transfer to reserves: Shs 1200 to general reserves and Shs 30,000 to asset Replacement reserve

RQD

- A) The trading, profit and loss account for the year ended 30th June 2010
- B) Balance sheet as at 30th June 2010. (20 marks)

Question Two

- a) The following summarised Trading, profit and loss account relate to Leso Traders for the year ended 30th June 2008.

	Shs
Sales	1,406,250
Less cost of sales	
Opening stock	320,000
Add purchases	<u>651,250</u>
	971,250
Less Closing Stock	<u>465,000</u>
	506,250
Gross profit	900,000
Less: selling and administrative expenses	<u>618,750</u>
Net profit	281,250

Additional Information

On 30th June 2008, the net fixed asset, worth sh.937,500;
Current assets shs 600,000 and current liability shs.375,000.

- i) Gross profit margin
- ii) Net profit margin
- iii) Return on capital employed
- iv) Stock turnover ratio
- v) Fixed asset turnover
- vi) Current ratio

b) Highlight and explain the limitations of ratio analysis. (8 marks)

Question Three

Kilimo Ltd, a maximum-sized company is engaged in farming activities. The following trial balance was extracted from the books of the company as at 31st December 2004.

	Sh'000	Sh'000
Stocks (1 January 2004)		
Dairy Cattle	24,450	
Maize (growing)	1,800	
Dairy cattle feeds	1,260	
Fertilizers for planting maize	990	
Land and buildings		45,000
Tractors (net book value)		16,200
Blocks		3,000

Cart (Net book value)		1,500	
Purchases:	Dairy cattle	5,220	
	Fertilizers-for planting maize	1,080	
	- For planting nappier		
	Grass	2,000	
	Maize seeds.	540	
	Dairy cattle feeds	3,060	
Sales	Milk		13,680
	Dry maize		18,000
	Green maize		5,670
	Dairy cattle		4,050
	Manure		1,500
Crop expenses:	Labour	3,240	
	Other expenses	360	
Napier grass:	Labour	500	
General expenses		5400	
Creditors			7,810
Dairy cattle expenses :	Medicines	540	
	Labour	4,740	
	Other expenses	720	
Cash at bank		7,650	
Retained profit			1,540
Ordinary share capital			<u>80,000</u>
		<u>132,250</u>	<u>132,250</u>

Additional Information:

i) Stock as at 31st December 2004 were as follows:

	Sh'000
Dairy cattle	27,000
Maize (growing)	1,350
Bulls	2,700
Dairy cattle feeds	810
Fertilizers for planting maize	540

- ii) During the financial year ended 31 December 2004 the following distributions of Farm produce were made to shareholders.

Product	Value (shs)
Maize	540,000
Milk	<u>2,160,000</u>
	2,700,000

- iii) Manure valued at sh.300,000 was removed the cow shed and used in the maize Plantation:
- iv) Maize stocks valued at sh.750,000 were used as dairy cattle feed.
- v) Depreciation was to be provided on tractors and carts on the reducing balance Method at the rate of 25% and 12.5% per annum respectively.
- vi) The tax rate applicable is 30%.
- vii) The bulls are used for pulling car. It is the policy of Kilimo Ltd to treat these bulls As non-current assets.

RQD

- a) Crop account for the year ended 31 December 2004. (6 marks)
- b) Livestock account for the year ended 31 December 2004. (6 marks)
- c) General profit and loss and Appropriation Accounts for the year ended 31 December 2004. (4 marks)
- d) Balance sheet as at 31 December 2004. (4 marks)

Question Four

	Cash Book Summary		Shs
	Shs.		
Balance at 1.1.2006	1,440	Purchase of equipment	380

