



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

HBC 2104: INTRODUCTION TO ACCOUNTING II

END OF SEMESTER EXAMS

SERIES: APRIL/MAY 2010.

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. The paper consists of **THREE** questions.
 2. Answer **ALL** questions.
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QUESTION ONE

The Kenya Accounting Students Association publishes a monthly magazine called ACCOUNTING TODAY, holds pre-examination lectures for its members and organizes social evenings. The association's financial position on 1st March 2006 was as follows:

BALANCE SHEET AS ON 1ST MARCH

Accumulated fund	50,000	Office furniture	7,500
Unpaid printing bill	2,310	Library books	36,000
		Due from advertisers	1,600
		Pre-paid insurance	760
		Cash at Bank	<u>6,450</u>
	<u>52,310</u>		<u>52,310</u>

The following summary of the association's receipts and payments was prepared from bank statements for the year ended 28th February, 2007.

RECEIPTS AND PAYMENTS ACCOUNT

Balance b/d	6,450	Printing and paper	22,470
Subscriptions	12,450	Lecturers' honoraria	10,300
Advertisers	19,670	Hall hire charges	8,440
Lecture fees	21,290	Raffle prizes	1,500
Sales of Accounting magazine	5,280	Travelling	2,690
Sale of social evening tickets	11,340	General expenses	1,200
Sale of raffle tickets	1,960	Refreshment	4,800
		Rent, rates and insurance	3,650
		Electricity and telephone	2,640
		New furniture bought	2,500
Balance c/d	<u>1,750</u>	New Library books	<u>20,000</u>
	<u>80,190</u>		<u>80,190</u>

The following additional information is available.

1. On 28 February, 2007 unpaid printing bill amounted to shs.2,400
2. Amounts due from advertisers to shs.3,520
3. Amounts due to lecturers of shs.1,700
4. 50% of the printing and paper cost should be charged to the Accounting today, 25% to pre-examination lectures and the rest to general Income and Expenditure Account.
5. 75% of the hall hire charges relate to pre-examination lectures and 25% to social evenings.
6. Refreshments are served at social evenings where raffle tickets are also sold. Any profit or loss should be charged to Social Evenings Account
7. Provide 15% depreciation on furniture and 20% on library books. A quarter of the depreciation on library books should be charged to pre-examination lectures account.

Required:

- (a) The Magazine account
- (b) Pre-examination lectures account
- (c) Social evening account
- (d) Income and expenditure account for the year ended 28th February, 2007
- (e) The Balance sheet as at that date. (30 marks)

QUESTION TWO

Twahir Said has kept records of his business transactions in a single entry form and he did not realize that he had to record cash drawings. His bank account for the year 2009 is as follows:

	Kshs.		Kshs.
Balance 1 January 2009	1,890	Cash withdrawn from bank	5,400
Receipt from debtors	44,656	Trade creditors	31,695
Loan from T. Neemanga	2,000	Rent	2,750
		Rates	1,316
		Drawings	3,095
		Sundry expenses	1,642
		Balance 31 December 2009	2,648
	44,546		44,546

Records of cash paid were, sundry expenses Kshs.122, Trade creditors Kshs.642, Cash Sales amounted to Kshs.698.

The following information is also available.

	31.12.2008	31.12.2009
	Kshs.	Kshs.
Cash in hand	48	98
Trade creditors	4,869	5,091
Debtors	6,013	7,132
Rent owing		250
Rates in advance	282	312
Motor vehicle (at valuation)	2,800	2,400
Stock	11,163	13,021

Required:

- (a) A trading and profit and loss account for the year ended 31st December 2009 and
- (b) A balance sheet as at that date.

Show all your workings.

(20 marks)

QUESTION THREE

The warehouse of Hardware Ltd., was destroyed by fire on 1st November, 1982. The goods in inventory were insured to a value of Sh.600,000. The following information is available:

	Shs.
Balance Sheet at 30 th June 1982:	
Inventory	324,000
Debtors	612,000
Creditors for goods supplied	278,000
Transactions to 31 st October 1982 include:	
Cash received from debtors	3,680,000
Bad debts written off	12,000
Cash paid to creditors	2,786,000
Cash discounts allowed by suppliers	4,000
Balance at 31 st October 1982:	
Debtors	568,000
Creditors	460,000

The total sales for the period includes Sh.72,000 for goods which have had the selling price reduced by 50% and Sh.96,000 where selling price was reduced by 20%.

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The normal mark-up is 50% on cost and except as indicated directly above, all sales can be assumed at the full selling price.

The cost of inventory at 1st November 1982, unaffected by the fire was sh.100,000 but the rest of inventory was completely destroyed.

Required:

Calculate the amount of the insurance claim.

(20 marks)