



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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## University Examinations 2013/2014

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR DIPLOMA IN BUSINESS  
ADMINISTRATION

AND

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR DIPLOMA IN PURCHASING  
AND SUPPLIES MANAGEMENT

### DBA/DPSM 1320: PRINCIPLES OF ACCOUNTING II

DATE: APRIL 2014

TIME: 1  $\frac{1}{2}$  HOURS

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**INSTRUCTIONS:** Answer question *one* and any other *two* questions

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#### QUESTION ONE – (30 MARKS)

- (a) Differentiate between capital expenditure and revenue expenditure. (4 Marks)
- (b) Identify the items that are of capital expenditure and those that are revenue expenditure.
- (i) Purchase of machinery
  - (ii) Petrol cost for van
  - (iii) Repairs to machinery
  - (iv) Putting extra headlights on van
  - (v) Carriage cost on bricks for new warehouse extension
  - (vi) Legal costs of collecting debts. (6 Marks)
- (c) The following trial balance was extracted from the books of Maloni Ltd as at 31 December 2013

	Shs “000”	Shs “000”
Purchases / sales	20,640	35,200
Carriage inwards	580	
Carriage outwards	1,360	
Discounts	560	1,460

Salaries and wages	2,920	
Advertising expenses	880	
Rent and rates	1,800	
Electricity	940	
Insurance	420	
Salesmen's commission	850	
Directors salaries	2,100	
Repairs and maintenance	350	
Interim dividend paid	600	
Fixtures and fittings at cost	4,080	
Provision for depreciation on fixtures and fittings (1 Jan 2013)		1,660
Motor vehicles at cost	2,440	
Provision for depreciation on Moto vehicles (1 Jan 2013)		1,020
Share capital (Shs.10 par value)		6,000
Stock (1 Jan 2013)	6,300	
Trade debtors/ trade creditors	9,200	4,200
Profit and loss account (1 Jan 2013)		2,140
Share premium account		2,500
Balance at bank		840
General reserve		<u>1,000</u>
	<u>56,020</u>	<u>56,020</u>

Additional information;

(i) Prepayments and accruals as at 31<sup>st</sup> December 2013

	Prepayments	Accruals
	Shs.	Shs
Wages		120,00
Insurance	80,000	
Commission to salesmen		20,000
Auditors remuneration		280,000

(ii) Depreciation is to be provided for as follows

Fixtures and fittings – 10% per annum using the straight line method

Motor vehicles – 25% per annum using the reducing balance method.

(iii) Stock as at 31<sup>st</sup> December 2013 was valued at Sh.7,280,000.

(iv) A final dividend at Sh.3 per share is proposed by directors

(v) Corporation tax is to be charged at 30% on the reported profit for the year

(vi) A provision for doubtful debts is to be made at 2.5% of the debtors balance.

Prepare:

- i. Income statement for the year ended 31 December 2013. (10 Marks)
- ii. Statement of financial position as at 31 December 2013. (10 Marks)

**QUESTION TWO – (20 MARKS)**

On 1<sup>st</sup> January 2012 Magana Bus services had the following motor vehicles

Registration Number	Date Of Purchase	Cost (Shs.)
KA 14	1 Jan 2009	570,000
KB 37	30 March 2010	645,000
KC 27	31 October 2011	963,000

During the year ended 31 December 2012, the following transactions took place

- (i) Motor vehicle purchases

KE 19	30 April	1,800,000
KF 28	31 July	2,340,000

- (ii) Motor vehicle disposals

Registration No.	Date of Sale	Sales proceeds (Ksh)
KA 14	31 March	120,000
KB 37	31 August	160,000

The motor vehicles are depreciated using straight line method at a rate of 20% p.a.

Prepare

For the year ended 31 Dec 2012

- (i) Motor vehicles account
- (ii) Provision for depreciation on motor vehicles account
- (iii) Motor vehicles disposal account. (20 Marks)

### QUESTION THREE – (20 MARKS)

The treasurer of Jamii sports and social club has provided the following information relating to the financial year ended 31 December 2013;

(a) Assets and liabilities as at:

	1 January 2013	31 December 2013
Equipment	1,250,000	1,400,000
Subscriptions in arrears	100,000	120,000
Subscriptions received in advance	65,000	45,000
Creditors for bar stocks	175,000	215,000
Bar stocks	400,000	300,000
Rent owing	75,000	50,000
Electricity bills unpaid	56,500	70,000
Balance at bank	361,500	865,000

(b) Cash receipts for the year ended 31 December 2013

	Shs.
Subscriptions	1,050,000
Bar takings	2,050,000
Sale of ticket for annual dinner dance	1,200,000
Sale of raffle tickets	90,000

(c) Cash payments made in the year ended 31 December 2013

	Sh.
Miscellaneous expenses	50,000
Purchase of equipment	400,000
Bar stocks	1,025,000
Barman's wages	375,000
Catering for dinner dance	720,000
Hiring of band for dinner dance	180,000
Purchase of raffle prizes	30,000
Hiring premises for dinner dance	120,000
Rent	385,000
Printing and postage	100,000
Electricity	290,500
Secretary's expenses	61,000
Repairs to equipment	150,000

**Prepare:**

- (a) Bar trading, profit and loss account for the year ended 31 December 2013. (4 Marks)
- (b) Income and expenditure account for the year ended 31 December 2013. (8 Marks)
- (c) Statement of financial position as at 31 December 2013. (8 Marks)

**QUESTION FOUR – (20 MARKS)**

- (a) A business starts on 1 January 2009 and its financial year end is 31 December annually. A table of the debtors, the bad debt written off and the estimated bad debts at the rate of 2% of debtors at the end of each year are given below:

Year to 31 December	Debtors at year end after Bad debts written off (Shs.)	Bad debts (Shs.)	Provision for doubtful debts 2%
2009	60,000	4230	?
2010	70,000	5,100	?
2011	77,500	6,040	?
2012	65,000	6,100	?

Prepare for the years 2009, 2010, 2011 and 2012

- (i) The bad debts ledger account.
- (ii) The provision for doubtful debts account (10 Marks)
- (b) Allan, Judy and Mark are in partnership with capitals of Sh.350,000, Sh.200,000 and Sh.320,000 respectively. Their partnership agreement provides the following:
- (i) Partners earn an interest of 10% p.a on their capital account
- (ii) Judy is entitled to a salary of Sh.100,000 per annum.
- (iii) Interest charged on drawings at the rate of 5% p.a, during the year ended 31/12/2011 the partnership made a profit of sh.600,000. The balances on partners current A/C were  
Allan Sh.60,000, Judy Sh.42,000 and Mark Shs.53,000  
The partners share profits and losses in the ratio of 2:1:2 respectively. The partners drawings during the year amounted to Sh.16000, Sh.14,000 and Sh.10,000 respectively
- Prepare:
- (i) The partners income statement
- (ii) The partners current accounts (10 Marks)