



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR DEGREE
OF BACHELOR OF SCIENCE IN AGRIBUSINESS
MANAGEMENT WITH INFORMATION TECHNOLOGY**

MAIN CAMPUS

AAB 301: FINANCIAL MANAGEMENT II

Date: 8th December, 2016

Time: 8.30 - 11.30am

INSTRUCTIONS:

- Answer ALL Questions in Section A and any other THREE in Section B
- Carefully read and follow the instructions contained in the answer booklets.



Section B: Answer Any Three Questions

2. The following is the receipts and payments account of the Friendship Club for the year ended 31 December 2011:

	Kshs.		Kshs.
Balance at bank 31 December 2010	102	Bar purchases	4,434
Entrance fees	42	Wages	416
Subscriptions: 2010	25	Rent	186
2011	365	Heating and lighting	128
2012	35	Postage and stationery	33
Bar Sales	5,227	Insurance	18
Sale of investments	750	General expenses	46
		Payments on account of new furniture	450
		Balance at bank, 31 December 19X1	<u>775</u>
	<u>6,486</u>		<u>6,486</u>

The following information is also supplied:

(1)	31 December 2010	31 December 2011	
Bar stock, at cost	272	315	
Creditors for bar purchases	306	358	
Rent due	18	36	
Heating and lighting expenses due	16	19	
Subscriptions due	25	40	
Insurance paid in advance	5	7	

- 2) On 31 December 2010, the club held investments which cost Kshs.500. During the year ended 31 December 2011, these were sold for Kshs.750.
- 3) Furniture was valued at Kshs.300 on 31 December 2010. On June 2011, the club purchased additional furniture at a cost of Kshs.520. Depreciation of all furniture is to be provided for at the rate of 10% per annum.

Required:

- (a) Prepare an income and expenditure account for the year ended 31 December 2011.
- (b) Prepare a balance sheet at that date.

3. The following Trial Balance was extracted from the books of Collins Ltd at 31 December 2005

	Kshs.	Kshs.
Share capital authorized and issued:		
80,000 ordinary shares of Kshs.1 each		80,000
Freehold premises at cost	59,300	
Motor vans		
Balance 1 January 2005 at cost	15,000	
Additions less sale proceeds	650	
Provisions for depreciation of motor vans to 31 December 2004		6,750
Stock in trade 31 December 2004	13,930	
Balance at bank	6,615	
Provision for doubtful debts 31 December 2004		275
Trade debtors and creditors	12,395	11,380
Directors' remuneration	4,000	
Wages and salaries	15,127	
Motor and delivery expenses	3,258	
Rates	700	
Purchases	108,440	
Sales		142,770
Legal expenses	644	
General expenses	5,846	
Profit and loss account: balance at 31 December 2004		2,130
	<u>243,605</u>	<u>243,605</u>

You are given the following information.

- i. Stock in trade, 31 December 2005, Kshs.14, 600.
- ii. Rates paid in advance, 31 December 2005, Kshs.140.
- iii. Debts of Kshs.1, 075 to be written off and the provision to be increased to Kshs.350.
- iv. On 1 January 2005, a motor van which had cost Kshs.680 was sold for Kshs.125.
- v. Depreciation provided for this van up to 31 December 2004 was Kshs.475.
- vi. Provide for depreciation of motor vans (including additions) at 20% of cost.
- vii. The balances on legal expenses account included Kshs.380 in connection with the purchase of one of the freehold properties.
- viii. The directors have decided to recommend a dividend of 5%.

Required:

With particular emphasis on presentation, prepare a trading and profit and loss account for the year 2005, and a balance sheet at 31 December 2005, ignoring taxation. (15 marks)

4. The following list of balances as at 30 September 2009 has been extracted from the books of Brick and Stone, trading partnership, sharing the balance of profits and losses in the proportions 3:2 respectively.

	Kshs,	
Printing, stationery and postage	3,500	
Sales	322,100	
Stock in hand at 1 October 2008	23,000	
Purchases	208,200	
Rent and rates	10,300	
Staff salaries	35,100	
Telephone charges	2,900	
Motor vehicle running costs	5,620	
Discounts allowable	950	
Discount receivable	370	
Sales returns	2,100	
Purchases returns	6,300	
Carriage inwards	1,700	
Carriage outwards	2,400	
Fixtures and fittings: at cost	26,000	
Provision for depreciation	11,200	
Motor vehicles: at cost	46,000	
Provision for depreciation	25,000	
Provision for doubtful debts	300	
Drawings: Brick	24,000	
Stone	11,000	
Current account balances		
At 1 October 2008:		
Brick	3,600	credit
Stone	2,400	credit
Capital account balances		
At 1 October 2008:		
Brick	33,000	
Stone	17,000	
Debtors	9,300	
Creditors	8,400	
Balance at bank	7,700	

Additional information

1. Kshs 10, 000 is to be transferred from Brick's capital account to a newly opened Brick Loan Account on 1 July 2009.
2. Interest at 10 per cent per annum on the loan is to be credited to Brick.
3. Stone is to be credited with a salary at the rate of Kshs 12, 000 per annum from 1 April 2009.
4. Stock in hand at 30 September 2009 has been valued at cost at Kshs 32, 000.

5. Telephone charges accrued due at 30 September 2009 amounted to Kshs.400 and rent of Kshs.600 prepaid at that date.
6. During the year ended 30 September 2009 Stone has taken goods costing Kshs.1,000 for his own use.
7. Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%

Required:

- (a) Prepare a trading and profit loss account for the year ended 30 September 2009.
- (b) Prepare a balance sheet as at 30 September 2009 which should include summaries of the partners' capital and current accounts for the year ended on that date. (15 marks)

Note: In both (a) and (b) vertical format of presentation should be used.

5. Bibi Matidadi owns and manages a small manufacturing business. The following balances have been extracted from her books of account at 31 January 2014:

	Dr	Cr
	Sh	Sh
Capital at 1 February 2013		171,120
Accounts payable		86,000
Bank and cash balance	5,400	
Accounts receivable	92,000	
Drawings	60,000	
Administration expenses	150,360	
Advertising expenses	12,000	
Factory direct wages	60,000	
Factory indirect wages	24,000	
Factory power	36,000	
Furniture and fittings (all offices)	18,400	
Heat and light	16,000	
Plant and equipment	276,800	
Motor vehicle (used by salesman)	144,000	
Plant hire	4,000	
Provision for bad debts		3,200
Provision for depreciation 1 February 2013:		
– Furniture and fittings		9,200
– Plant and equipment		138,400
– Motor vehicle		24,000
Raw material purchases	228,000	
Rent rates	20,000	
Sales		829,440
Selling and distribution expenses	66,400	
Inventories at cost, 1 February 2013:		
– Raw materials	8,000	