

MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2014/2015 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF SCIENCE (AGRICULTURAL ECONOMICS)**

**COURSE CODE: ARE 143**

**COURSE TITLE: FINANCIAL ACCOUNTING**

**DATE: 25TH AUGUST 2015 TIME: 11.00AM – 1.00PM**

**INSTRUCTIONS TO CANDIDATES**

Answer **ALL** questions in **Section A** and **ANY THREE** in **section B**

*This paper consists of 7 printed pages. Please turn over*

**SECTION A**

**QUESTION ONE (25 Marks Compulsory)**

The following is the trial balance of Mau Narok farm as on 31th December 2014

Debit balances Sh Credit balances Sh

Land and building 210,000 Capital 270,000

Farm machine 108,000 Profit and Loss a/c 10,000

Sundry debtors 30,000 Loan 60,000

Cash in hand 26,000 Provision for depreciation 30,000

Stock on 1-1-2014 Sale of wheat 35,000

Growing crops , wheat , seed 20,000 Sale of livestock 75,000

And fertilizers Manager’s personal a/c 2,000

Livestock 25,000 Bank overdraft 3,000

Feeding materials 6,000 Sundry creditors 15,000

Manager’s salary 6,000

Farm labour 5,000

Office expenses 4,000

Crop expenses 10,000

Livestock expenses 28,000

Livestock purchases 12,000

Farm house expenses 1,200

Staff meals 500

Repairs to machinery 1,000

Interest on loan(crop) 4,000

Tools and implements 2,500

 500,000 500,000

**Additional information:**

1. Stock on 31-12-2014 sh

Growing crops, wheat, seeds and fertilizers 10,000

Live stock 40,000

Tools and implements 2,000

Feeding materials 1,000

1. Depreciation on tools and implement is to be apportioned between crops and livestock equally
2. The livestock a/c is chargeable with 20% of managers salary and staff meals.

Required:

Prepare for the year ending December 31, 2014 ;

1. Crop account, (**5 Marks**)
2. Livestock account, (**6 Marks**)
3. Income Statement and (**7 Marks**)
4. a Statement of Financial Position as on the date (**7 Marks**)

**SECTION B (Answer any 3 Questions of 15 Marks each)**

**QUESTION TWO**

A company maintains its non-current assets at cost. A provision for depreciation account is used for each type of asset. Machinery is to be depreciated at the rate of 15 per cent per annum, and fixtures at the rate of 5 per cent per annum, using the reducing balance method. Depreciation is to be calculated on assets in existence at the end of each year, giving a full year’s depreciation even though the asset was bought part of the way through the year. The following transactions in assets have taken place:

2012 1 January Bought machinery £2,800, fixtures £290

 1 July Bought fixtures £620

2013 1 October Bought machinery £3,500

 1 December Bought fixtures £130

The financial year end of the business is 31 December.

***Required:***

1. The machinery account (**3 Marks**)
2. The fixtures account (**4 Marks**)
3. Two separate provision for depreciation accounts (**6 Marks**)
4. The non-current assets section of the statement of financial position at the end of each year, for the years ended 31 December 2012 and 2013.

 (**2 Marks**)

**QUESTION THREE**

J. Fisher, White House is selling the following items at the retail price as shown; plastic tubing at £1 per meter, polythene at £2 per length, vinyl padding at £5 per box, foam rubber at £3 per sheet. She makes the following sales. **(2012)**

|  |  |
| --- | --- |
| June 1 | To A. Portsmouth, 5 Rockley road, Worthing: 22 meters plastic tubing, 6 sheets foam rubber, 4 boxes vinyl padding. Less 25% trade discount. |
| June 5 | To B. Butler, 1 Wembley road, Colwyn bay: 50 lengths polythene sheeting, 8 boxes vinyl padding, 20 sheets foam rubber. Less 20% trade discount. |
| June 11 | To A. gate, 1 Bristol road, Hastings: 4 meters plastic tubing, 33 lengths of polythene sheeting, 30 sheets of foam rubber. Less 25% trade discount. |
| June 21 | To L. Makeson, 5 maine Road, Bath: 29 meters plastic tubing. No trade discount is given. |
| June 30 | To M. Alison, Daley Road, Box Hill: 32 meters plastic tubing, 24 lengths polythene sheeting, 20 boxes vinyl padding. Less 33 1/3 per cent trade discount. |

***Required:***

1. Draw up a sales invoice for each of the above sales (**5 Marks**)
2. Enter them up in the Sales Day Book and post to the personal accounts.

 (**6 Marks**)

1. Transfer the total to the sales account in the general Ledger. (**4 Marks**)

**QUESTION FOUR**

1. Explain the importance of using Analytical Petty Cashbook (**4mks**)
2. Explain your understanding of the term ‘imprest’ system. (**2mks**)
3. The following transactions relate to the business of ABC Co

2012 Voucher number

Sept 1 - The head teacher gives £300 as float.

Petty cashier Payments out of petty cash during September.

2 1 Petrol: School bus

3 2 J. Green – travelling expenses of staff.

3 3 Postage

4 4 D. Davies –travelling expenditure of staff

7 5 Cleaning expenses

9 6 Petrol: School bus

12 7 K. Jones – travelling expenses of staff

14 8 Petrol: School bus

15 9 L. Black - travelling expenses of staff

16 10 Cleaning expenses

18 11 Petrol: School bus

20 12 Postage

22 13 Cleaning Expenses

24 14 G. Wood - travelling expenses of staff

27 15 Settlement of C. Brown’s account in the Purchase ledger

29 16 Postage

30 - The head teacher reimburses the petty cashier the

 amount spent in the month.

Required

Prepare a PETTY Cashbook under the headings of Motor Expenses, Staff

Travelling, Expenses, Postage, cleaning ,Ledger Folio and Ledger Accounts.

 (**9 Marks**)

**QUESTION FIVE**

1. Explain the advantages and disadvantages of Last In First Out (LIFO) Inventory valuation method. (**6Marks**)
2. The following is an extract of the record of receipt and issue of sulphur in a chemical factory during a month, for XYZ Ltd.

Feb 1 Opening balance 500 tonnes @ Sh. 200/=

“ 3 Issue 70 “

“ 4 “ 100 “

“ 8 “ 80 “

“ 13 Received 200 “ @Sh. 190/=

“ 16 Issue 180 “

“ 20 Received 240 “ @Sh. 190/=

“ 24 Issue 300 “

“ 25 Received 320 “ @Sh. 190/=

“ 26 Issue 115 “

 “ 28 Received 100 “ @Sh. 190/=

Issues are to be priced on the principle of First in First-out (FIFO)

Required:

Draw up a store ledger for the material showing the above transactions.

 (**15 Marks**)

**QUESTION SIX**

Write in details about each of the following;

1. Distinctions between Financial Accounting and Management

Accounting (**5 Marks**)

1. Purposes of Management Accounting (**5 Marks**)
2. Limitations of Internal Controls (**5 Marks**)

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