QUESTION ONE

a) Muthoni, Njeri and Wangeci are in partnership sharing profits and losses in ratio the 2:1:1. The balance sheet of the firm as at 30 April 2013 was as follows:

	Shs	Shs		Shs	Shs
Capital Accounts			**Fixed assets**		
Muthoni	360,000		Land and building		
Njeri	180,000		at cost		540,000
Wangeci	180,000	720,000	Furniture and		
			fittings	90,000	
			Less: Depreciation	30,960	59,040
					599,040
Current Liabilities			**Current assets**		
Bank overdraft	11,700		Stock	144,000	
Creditors	49,500	61,200	Debtors	38,160	182,160
		781,200			781,200

On 30 April 2013, it was agreed to dissolve the partnership and as Njeri is continuing in business on her own account she agrees to take over the furniture and fittings, stocks and debtors at valuations of Shs.54,000, Sh.180,000, and Sh.36,900 respectively. She also agrees to acquire the land and building at a cost of Sh.965,000 and obtains a bank loan of Sh.700,000 which is paid to the partnership. The balance owing by Njeri is charged against Muthoni's capital account as the two parties have agreed that Njeri will repay the loan to Muthoni over a period of twenty-four months at an interest rate of 15% p.a. Realisation expenses amounting to Sh.10,700 are paid in cash and the creditors of the firm are paid in full.

Required:

Prepare the ledger accounts of the partnership in order to close off the books as at 30 April 2013. (15 marks)

b) Discuss the circumstances upon which the court may order dissolution of a partnership. (10 marks)

QUESTION TWO

Trendsetters Limited operates two branches, one in Nairobi and one in Mombassa. These two branches are supplies from a warehouse in Athi River town where the

Head Office of the Company is situated. All purchases are made at the head office. Goods are charged to both branches all selling price, which is head office cost plus 50%. All cash receipts in the branches are banked daily. The following figures relate to the company's performance for the year ended 30 September 2010 and financial position as at that date.

	Head Office Sh. '000'	Nairobi Branch Sh. '000'	Mombasa Branch Sh. '000'
Cash sales banked		110,820	168,000
Credit sales		12,300	8,400
Stock at cost, 1 October 2009	11,750		
Stock at selling price, 1 October		18,300	24,150
2009	233,175		
Purchases	19,540	9,008	10,825
Expenses paid		124,155	180,225
Goods sent to branches (selling price)		12,100	8,525
Goods received from debtors	25,000	28,000	35,000
Property, plant and equipment		1,200	1,100
(Net Book value: 30 September	11,800		
2000)	42,550		
Debtors at 1 October 2009	41,200		
Bank overdraft at 1 October 2009	30,000		
Trade creditors at 1 October 2009	45,946		
Trade creditors at 30 September 2000			
Ordinary share capital: 3 million Sh.10 shares			
Retained earnings at 1 October 2009			

Additional information:

1. Head office expenses are apportioned equally to the branches.
2. A debt for Sh.75,000 became had during the year at Mombasa branch.
3. Goods were transferred at selling price from Nairobi to Mombasa branch at Sh.405,000 and from Mombassa branch to Nairobi at Sh.900,000.

4. On 31 May 2010, the day's takings of Sh.525,000 were stolen from Mombassa branch. On 26 December 2009, goods at a selling price of Sh.66,000 had been stolen from Nairobi branch
5. Stocktaking on 30 September 2010 revealed a deficiency of Sh.54,000 at Nairobi branch and a surplus of Sh.30,000 at Mombassa branch (both figures being a selling price) Since no information could not be found for the shortfall in Nairobi, management agreed to account for this as a nominal loss. The surplus in Mombassa was due to goods being sold at a price in excess of the authorized selling price. This was to be reported as a separate line item in the profit and loss account.
6. The directors proposed a dividend of 20% on 30 September 2010.
7. Income should be provided for 30% of the net profit for the year (assume the taxable profit and the accounting profit are the same figure) Installment tax of Sh.13,000,000 was paid in the year. All bankings in the branches are transferred electronically to the head office bank account out of which all expenses are paid. Ignore depreciation of property, plant and equipment.

Required:

(a) A stock account and a mark-up account for each branch in column format (5 marks)

(b) A profit and loss account for each branch and combined total commencing with the gross profit for each branch. (5 marks)

(c) A debtors control account for each branch, the head office bank account and a balance sheet as at 30 September 2000. (5 marks)

NB: Do not produce a statement of changes in equity, show the retained profit brought forward as a line item in the combined profit and loss account.

QUESTION THREE

Taveta Outfitters Ltd, have for may years sold specifically made suits through their Kisumu agents, Fit Ltd.

At the end of February 2009, there was a debit balance of Sh146,960 on Fit Ltd's account in Taveta Outfitters Ltd's ledger and a stock balance carried down of Sh72,000. In March, 120 pairs of suits were consigned at a cost of Sh2,080 per pair. The consignors incurred insurance Sh1,720 transport Sh3,400 and other

expenses Sh480. The consignees incurred warehousing expenses Sh2,160 and other expenses Sh240 on the March 2009 consignment.
At the end of the March, fit Ltd. Sent an account sales to Taveta Outfitters Ltd. which shows that all 40 pairs of February 2009 had been sold at the old price of Sh2,920 per pair together with 90 pairs of the March consignment at Sh3,360 per pair. They also enclosed a cheque for Sh216,840. Sales commission is 10% of the gross sales value.

Stock is valued at the initial purchase cost plus subsequent expenses.

Required:
Prepare the accounts in the ledger of Taveta Outfitters Ltd for the month of March 2009. (15 marks)

QUESTION FOUR
S. Ominde operates a business that is divided into two departments:
Department A – Ladies outfits
Department B – Gents outfit

The following information was extracted from his books for the period ended 31 December 2014.

	Dr	Cr
Sales department A		120000
Sales department B		120000
Stacks department A (1/1/2014)	38500	
Stocks department B (1/1/2014)	57300	
Purchases department A	43600	
Purchases department B	45000	
Wages of sales assistant- Department A	6000	
Wages of sales assistant – Department B	12000	
General office salaries	9000	
Rates	3300	
Fire insurance	2700	
Repairs to premises	1800	
Cleaning	1500	
Accountancy and audit charges	6300	
General office expenses	2400	

Stocks at 31 December 2014 were valued at:

Department A 12300
Department B 22400

The ratio of the total floor area occurred by each department was:
Department A 1/3
Department B 2/3

For the purpose of costing for each department, the apportionments of expenses were based on:

Floor area	Sales turnover
Rates	General office salaries
Fire insurance	Accountancy and audit charges
Repairs to premises	General office expenses
Cleaning	

Required:
Apportion the where necessary and prepare the trading profit and loss account for each department. (15 marks)

QUESTION FIVE
H. Timber Ltd., imports large quantities of timber and re-exports a certain amount of it. Payment is normally by bills of exchange, Drawn in Kenya Shillings, with discount charges being borne by the Drawer.

These are some of the company's transactions –

2011

Feb 1 Bought timber costing Sh.84,000 from S. Timber Corporation; accepted a bill of exchange for that amount at 60 days after sight.

14 Bought timber costing Sh.120,000 from L. Timber Agency; accepted a bill of exchange Drawn on 31st January for 90 days after date.

28 Sold timber Sh.80,000 to the F. Timber Co., drawing a bill on them for Sh.70,000 for 30 days after date

Mar 16 Accepted bill returned by F. Timber Co., which was discounted with the bank of H. Timber Ltd. at 2 per cent discount.

18 Reached an agreement with L. Timber Agency for an allowance of Sh.7,000 in respect of a previous defective consignment of timber.