



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE  
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION  
WITH INFORMATION TECHNOLOGY**

**CITY CAMPUS – DAY & EVENING**

**ABA 109: INTRODUCTION TO ACCOUNTING II**

Date: 7<sup>th</sup> June, 2017

Time: 5.30 - 8.30pm

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**INSTRUCTIONS:**

- Answer Question ONE and any other THREE.
- Workings must be shown
- Begin each new question on a fresh page
- Marks are indicated at the end of each question



**QUESTION ONE**

The Trial Balance of *Classcase* Limited for the year ended 30<sup>th</sup> June 2015 was as below:

ITEM	DR	CR
Share capital: Authorized and issued		700,000
Stock (30 <sup>th</sup> June 2014)	410,000	
Debtors	361,780	
Creditors		155,427
10% Debentures		200,000
Fixed assets reverse account		100,000
General reserve		50,000
Profit and Loss(30 <sup>th</sup> June 2014)		74,960
Debenture interest	10,000	
Equipment, at cost	480,500	
Motor vehicle, at cost	390,000	
Bank	100,643	
Cash	7,350	
Sales		640,490
Purchases	140,000	
Return inward	13,964	
Carriage outward	3,700	
Salaries and wages	64,000	
Rent, rates and insurance	30,300	
Discount allowed	14,640	
Directors remuneration	32,000	
Provisions for depreciation:		
Equipment		10,200
Motor vehicles		127,800
	<b>2,058,877</b>	<b>2,058,877</b>

- Stock on 30<sup>th</sup> June 2015 was Shs 460,310
  - Accrued rent Shs 6,000 ; directors remuneration Shs 20,500
  - Transfer to reserve Shs 30,000; Fixed assets reserve Shs 12,000
  - Depreciation on cost: Equipment 10% and Motor Vehicles 10%
  - Share capital consists of 50,000 ordinary shares of Shs 10 each, and 20,000; 10% preference shares of Shs 10 each. The dividend on the preference shares was proposed to be paid as well as dividend on ordinary shares at 20%
- Required:** Income statement for the year and a Statement of Financial position as on 30<sup>th</sup> June, 2016(22 Marks)

### QUESTION TWO

The following is a summary of the receipts and payment accounts of Mt. Meru Mountaineers Club for the year ending 31<sup>st</sup> December, 2013

Receipts	Amount	Payment	Amount
Balance b/d	60,000	Rent and rates	130,000
Subscriptions	480,000	Heating and lighting	90,000
Sale of dance tickets	50,000	General expenses	75,000
Sale of refreshments	200,000	Tent cleaning	38,000
		Dance expenses	42,100
		Cost of refreshment	162,600
		Wages	117,500
		New sports equipment	70,000
		Balance c/d	64,800
	<b>790,000</b>		<b>790,000</b>

By 1<sup>st</sup> December, 2014 the following additional information was available:

- Of the total subscriptions Shs 4,800 relates to the year 2013 while Shs 6,200 is for the year 2015. Subscriptions still owing for the year 2014 is Shs 8,000.
- The new sports equipment is to be depreciated by 10% On cost
- An electricity charge amounting to Shs 10,000 remains unpaid.

**Required:** Income and expenditure account, including the statement of financial position for the year ending 31<sup>st</sup> December 2014. **(16 Marks)**

### QUESTION THREE

Mrs. Makamu, a retailer, does not keep a complete set of books for her business.

On 31<sup>st</sup> December, 2015 she could produce the following information:

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Balance on 1/1/15	Kshs
Land and buildings	100,000
Motor vehicle	36,000
Office furniture	8,000
Stock- in -trade	7,000
Sundry debtors	10,000
Sundry creditors	9,000

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Insurance prepaid	680
Wages outstanding	400

Her cash book summary was as follows

Dr.	(Kshs)	Cr.	Kshs
Balance b/f	2,000	Motor expenses	12,000
Cash sales	130,000	Payments to creditors	200,000
Cash from debtors	250,700	insurance	4,500
		Salaries	50,000
		Electricity	3,600
		Advertising	2,400
		Drawings	30,000
		Printing/stationery	15,000
		General expenses	13,000
		Cash purchases	24,000
		Balance c/d	28200
	<b><u>382700</u></b>		<b><u>382,700</u></b>

#### Additional information:

- Motor vehicles and office furniture are to be depreciated by 25% and 20% respectively.
- Insurance paid in advance by end of the year was Kshs.600, wages Owings Kshs.420, stock at close Kshs 8600, sundry debtors Kshs 12,000 , discount allowed Kshs350, discount received Kshs200, sales returns Kshs 1200, purchases returns Kshs 1400, bad debts written off Kshs 600, sundry creditors Kshs 7800.

#### Required:

Income statement for the year and statement of financial position the year ended 31/12/15. (16 Marks)

#### QUESTION FOUR

Obare, Onyancha and Company, a firm of advocates, has supplied the following information:

ITEM	DEBIT (Shs)	CREDIT (Shs)
Capital		1,000,000
Drawings	200,000	
Electronic Equipment	500,000	
Motor vehicles	550,000	
Furniture & Fittings	80,000	
Books and Reference materials (Library)	60,000	
Clients deposit accounts		700,000
Salaries	360,000	
Rent	300,000	
Clients' disbursements	130,000	
Fees for services rendered		1,300,000
Bank (Clients)	680,000	
Bank (Office)	20,000	
	<b><u>3,000,000</u></b>	<b><u>3,000,000</u></b>

#### Additional information:

- Accrued fees for services rendered amounted to Shs 100,000
- Fees charged to clients include sundry disbursements which were debited to the miscellaneous expenses account. On 31<sup>st</sup> December 2014 the clients disbursements amounting to Shs 10,000 had not been charged to bills of costs
- Accrued rent and salaries were shs 80,000 and Shs 120,000 respectively
- Depreciation is to be charged on Electronic Equipment at 15%, Motor vehicle at 20% Furniture and Fittings at 10% and Library at 10%

#### Required:

Prepare the Receipts and Expenditure Account for the year ended 31<sup>st</sup> December 2014; and

Balance Sheet of the firm as on 31<sup>st</sup> December, 2014

**(16 Marks)**

### QUESTION FIVE

The following Balances were extracted from the books of Makini Traders for the year ending 31<sup>st</sup> December, 2012:

Particulars	Amount (Shs)	Particulars	Amount (Shs)
Sundry debtors	104,000	Capital	40,000
Creditors	44,000	Drawings	16,000
Insurance Paid (1.10.12)	4,800	Motor car	44,000
Cash at Bank	12,400	Purchases	290,000
Cash in hand	4,784	Sales	584,000
Furniture	7,000	Sale return	5,200
Machinery	48,000	Salaries	16,840
Wages	47,200	Opening stock	22,800
General expenses	5,360	Motor car expenses	12,216
Carriage inwards	4,080	Rent, Rates & Taxes	7,200
Carriage outwards	3,260	Water & Electricity	12,860

The following should also be considered:

1. Closing stock was valued at Shs 70,000
2. Goods worth Shs 4,000 were distributed as free samples
3. Shs2,000 paid for erection of Machinery was debited to wages account
4. Write off further bad debts Shs4,000 and make provisions for doubtful debts at 5% of debtors
5. Depreciate Furniture and Machinery by 10% and Motor car by 20%
6. Commission of Shs 7,200 has been earned but not received till close of the year
7. An amount of Shs 20,000 borrowed from *Gambogi Sacco* on 1<sup>st</sup> July,2012 at an interest rate of 10% per annum has been paid back but interest on it is still unpaid

#### Required:

Trading, Profit and Loss Account and Balance sheet of Makini Traders for the year ending 31<sup>st</sup> December, 2012.

**(16 Marks)**

### QUESTION SIX

Onyango, Parsankul, Quresh and Rasugu are partners who have invested Kshs 75,000, Kshs. 70,000, Kshs, 60,000 and Kshs. 60,000 respectively in the partnership.

The partners have agreed on the following appropriate scheme:-

- a. Interest on capital allowed is at 10% p.a
- b. The partners were to receive salaries of Kshs. 10,000 each for Onyango and Parsankul and Kshs. 8,000 each for Quresh and Rasugu
- c. Profits are to be shared as follows: -

Onyango	30%
Parsankul	30%
Quresh	20%
Rasugu	20%
- d. Interest to be charged on drawings at 10% p.a.

During the year ended 31<sup>st</sup> December 2015, the partners withdrew amounts from the partnership as below: -

Onyango	kshs. 20,000
Parsankul	“ 18,000
Quresh	“ 15,000
Rasugu	“ 12,000

The partners had the following balances on their current accounts as on 1<sup>st</sup> January 2015.

Onyango	kshs. 2,100 Cr
Parsankul	“ 3,370 Cr
Quresh	“ 1,240 Dr
Rasugu	“ 980 Cr

During the financial year ended 31<sup>st</sup> December 2015, the partnership earned a profit of Kshs. 85,550 (net)

#### Required

Draw up the appropriation account

Prepare the partners' current accounts for the year ended 31<sup>st</sup> December 2015.

(16 Marks)