



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

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

HOMABAY CAMPUS - REGULAR

ABA 203: INTERMEDIATE ACCOUNTING I

Date: 11th June, 2017

Time: 9.00 - 12.00pm

INSTRUCTIONS:

- Answer Question ONE and any other THREE
- Show all the workings clearly
- All questions carry equal marks



QUESTION ONE

The following information is obtained from Mzee Kavuyo on his farming activities for the year ended 31 March 2010:

	Opening stock	Closing stock
	Shs.	Shs.
Crops	30,000	37,500
Group crops	22,500	33,750
Seeds	15,000	18,750
Cattle	562,500	787,500
Cattle food	75,000	41,250
Poultry	67,500	101,250
Poultry food	7,500	15,000
Fish	15,000	24,000
Fertilizers	37,500	22,500
Purchases during the year:		
Poultry	112,500	
Seeds	11,250	
Cattle	300,000	
Fish	7,500	
Cattle foodP	105,000	
Fertilizers	26,250	
Poultry food	22,500	
Sales during the year:		
Butter	11,250	
Milk	67,500	
Eggs	97,500	
Crops	157,500	
Flowers	11,250	
Fruits	30,000	
Cattle	270,000	
Poultry	105,000	
Fish	45,000	
Vegetables	37,500	
Expenses during the year:		
Wages	176,250	
Insurance	11,250	
Depreciation	15,000	
Repairs	9,000	

Consumption of farm products by proprietor:	Sh.
Butter	3,000
Milk	18,750
Eggs	3,750
Vegetables	4,500
Poultry	1,500
Fish	750
Fruits	2,250

Required:

From the information given above, prepare the following accounts for Mzee Kavuyo for the year ended 31 March 2010:

- (i) Crop account;
 - (ii) Dairy account;
 - (iii) Poultry account
 - (iv) Fishing account;
 - (v) Summarised profit and loss account
- (17.5 marks)

QUESTION TWO

A and B are partners in a business. A runs a head office in Mombasa and B runs a branch in Malindi. Separate books are maintained for the head office and the branch. Profits and losses are shared equally. The trial balances as at 30th June 2002 were as follows:

	Head Office		Branch	
	Sh	Sh	Sh	Sh
Property plant and equipment (NBV)	760,000		308,000	
Stocks at 1 July 2001:				
- Head office at cost	560,000			
- Branch at transfer price			340,000	
Goods sent to branch/from head office		1,430,800	1,398,800	
Debtors	348,960		78,080	
Sales		3,880,400		2,388,000
Bank and cash	612,280		115,360	
Purchases	3,918,000			
Remittances		2,247,600	2,257,200	
General expenses	680,000		400,000	
Branch current a/c/ Head office current a/c	2,530,640			2,498,640
Creditors		324,680		10,800
Capital at 1 July 2001 (held equally)		1,492,400		
Provision for unearned profit		34,000		
	<u>2,409,880</u>	<u>2,409,880</u>	<u>4,897,440</u>	<u>4,897,440</u>

Notes:

- a) Mombasa invoices goods to Malindi at cost plus one ninth

b) At 30th June 2002:

• Stocks at head office at cost	Sh 508,000
• Stocks at the branch at transfer price	Sh 192,000
• Stocks in transit at transfer price	Sh 32,000
• Cash in transit to head office	Sh 9,600

Required:

a) Prepare an incomes statement for the year ended 30th June 2002 and a balance sheet as at that date, separately for

- The head office
 - The branch
 - The combined entity
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b) Post and balance both current accounts.

(17.5 marks)

QUESTION THREE

Salim, Kassim and Karim were partners in a joint venture, each contributing Sh5,000. Salim purchased goods for Sh13,000 and also supplied goods worth Sh1,000 from his own stock. Karim also supplied goods costing Sh1,500 and incurred Sh50 expenditure on behalf of the joint venture.

Salim paid expenses Sh250 in connection with the joint venture and realised Sh20,800 from joint venture sales. Salim is entitled to a commission of 5% on sales.

Unsold goods amounting to Sh510 were taken over by Kassim. Salim settled the accounts of Kassim and Karim by bank Draft.

Required: Show the entries in the books of

- Salim
- Kassim
- Karim

Assuming that they share profits and losses equally and Salim is the managing partner.
(17.5 marks)

QUESTION FOUR

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- a. What is the basic principle involved in accounting for Hire Purchase Transactions? Describe how that Principle is accommodated by two of the accounting methods commonly used to account for Hire Purchase Transactions.

b. Neilson Electronics commenced business on 1st April, 2013, selling television sets both on a cash

basis and by instalments. Instalment sales required a deposit of one third of the cash selling price with the balance payable in 18 equal monthly instalments. No additional charge is made for this service. At the end of each financial year, the firm takes credit for the profit on instalment sales only in respect of proportion represented by deposits and instalments actually received.

The following transactions took place during the two years ended 31st March, 2015:

	2014	2015
	£	£
Cash Sales	32,022	43,770
Instalments Sales	282,978	397,980
New TV sets purchased	231,000	250,379
Cash collections on instalment contracts:		
Initial deposit	94,326	132,660
Monthly instalments - 2014 Sales	64,413	92,079
- 2015 Sales		83,940
Stocks at 31st March:		
New sets at cost	54,600	72,015

Required:

- Prepare trading accounts in respect of cash sales for each of the years ended 31st March, 2014 and 31st March 2015. (10 marks)
- Show the gross profit on instalment sales for each of the years ending 31st March, 2014 and 31st March 2015. (7.5 marks)

QUESTION FIVE

AB and Co. holds a lease of minerals from RS Ltd for a period of 40 years from 1 October 1997. Under this lease, there is payable a royalty of Sh.100 per tonne merging in a minimum rent of Sh20,000 per year payable ½ yearly on 30th September and 31st March. They granted a sub-lease for 20 years from 1 April 1998 to XY Co. Ltd for a royalty of Sh150 per tonne merging in a minimum rent of sh15,000 per half year, payable yearly on 31st March and 30th September. AB and Co are entitled to recoup shortworkings from RS Ltd throughout the lease term, but the sub-lease allows XY Co. Ltd to recoup shortworkings only out of excess workings in any of the three half-years immediately following that in which shortworkings accrued:

The mining work was as follows:

Half year ended:	By AB & Co. (Tonnes)	By XY & Co. (Tonnes)
31 March 1998	50	-
30 September 1998	50	50
31 March 1999	200	60
30 September 1999	300	60
31 March 2000	250	120

Required: Show the necessary accounts in the books of AB & Co. Ltd. The books are balanced each year on 31st March. (17.5 marks)

QUESTION SIX

The following trial balance was extracted from the books of Literary and, Philosophical Society as at 30 September 2014:

	Sh.	Sh.
Balance at bank current account	724,800	
Accumulated fund 1 October 2013		5,771,200
Land and building at cost	3,700,000	
Debtors for subscription	62,000	
Furniture and fittings	1,874,000	
Provision for depreciation of furniture and fittings		284,000
Subscriptions		1,450,800
Lecturers' fees	920,000	
Lecturers' travel and accommodation expenses	358,000	
Donations		108,000
Camera and projector repairs	17,000	
Projectors, cameras and audio equipment	190,400	
Depreciation of equipment		54,400
Rates and water	277,000	
Lighting and heating	367,200	
Rental of rooms		495,000
Wages - caretaker	880,000	
Restaurant	1,600,000	
Bar staff	800,000	
Purchase of food	1,565,800	
Stock- bar 1 October 2013	473,600	
Bar receipts,		4,032,000
Bar purchases	2,842,000	
Restaurant receipts		3,642,000
Loan		1,600,000
Deposit account - bank	1,000,000	
Interest payable and receivable		36,000
Creditors for bar and food		178,400
	<u>17,651,800</u>	<u>17,651,800</u>

Additional information:

- 1: The bar stock was valued at Sh.642.800 as at 30 September 2014.
2. It is expected that of the debtors for subscriptions, Sh.43.600 will not be collectable.
3. The interest account is net. The loan is at a concessional rate of 4% while 10% has been earned on the deposit account. No changes have taken place all year in the principal sums involved.
4. An invoice for Sh.43.000 of wine had been omitted from the records at the close of the year although the wine had been included in the bar stock valuation.
5. Depreciation for the year is to be provided as follows:
 Furniture and fittings Sh. 194.000
 Projectors, Cameras etc. Sh. 19.000

Required:

- (a) Bar and restaurant trading account for the year ended 30 September 2014 (5 marks)