



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

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

MAIN CAMPUS

ABA 109: INTRODUCTION TO ACCOUNTING II

Date: 9th June, 2017

Time: 12.00 - 3.00pm

INSTRUCTIONS:

- Answer ONE and any other THREE.
- Show all the workings clearly



Question one

~~Awuor, Beldine and Loyce are partners sharing profits and losses in the ratio 3:1:1 after interest on capital at 10% and salaries to Beldine and Loyce of ksh. 300,000 each. The trial balance for the period ended 31st December 2016 is as follows.~~

	Dr ksh '000'	Cr ksh '000'
Capital accounts:		
Awuor		3,000
Beldine		2,000
Loyce		1,500
Sales and purchases	6,000	10,000
Debtors and creditors	2,000	8,000
Returns	400	200
Discounts	200	300
Office expenses	1,000	
Current accounts:		
Awuor		500
Beldine		400
Loyce	200	
General expenses	1,200	
Bad debts	200	
Provision for bad and doubtful debts		200
Rent and rates	200	
Salaries and wages	500	
Land and buildings	4,000	
Plant and machinery	3,000	
Motor vehicles	3,000	
Acc. Depreciation:		
Land and buildings		1,000
Plant and machinery		1,500
Motor vehicles		500
	<u>21,900</u>	<u>21,900</u>

Additional information

1. Stock as at 31st December2016 amount to sh. 1,000,000.
2. Provision for bad and doubtful debt maintained at 10% of debtors
3. General expenses amounting sh. 200,000 were in arrears while rent and rates sh. 100,000 are in advance.
4. Depreciation is charged as follows:
Land and buildings 10% on cost.
Plant and machinery 20% on reducing balance.
Motor vehicles 15% on cost.

Required:

- a) Income Statement for the year ended 31st December2016. (10 marks)
- b) Profit and loss appropriation account for the year ended 31st December2016. (5 marks)
- c) Current accounts (5 marks)
- d) Statement of financial position as at 31st December2016 (5 marks)

Question Two

The following balances have been extracted from the books of Sarit Enterprises, as at 31st December2016.

Particulars	Debit	Credit
	Kshs. (000)	Kshs. (000)
Motor vehicles	3,000	
Fixtures	2,000	
Stock (1/1/2016)	1,000	
Salaries and wages	1,000	
Telephone	400	
Rent	1,000	
Motor vehicle expenses	500	
cash	2,000	
Sales		15,000
Debtors & Creditors	4000	3000
Provision for bad and doubtful debts		500

Bad debts	500	
drawing	1,000	
Capital		6,000
Purchases	7,000	
Electricity	500	
Discounts	600	500
Returns	1,000	500
	25,500	25,500

Additional Information

- Rent outstanding at the end of the year is ksh.200, 000.
- Salaries and wages paid in advance amount to ksh.100, 000.
- Accrued electricity is ksh.50, 000.
- Prepaid telephone bill is ksh.100, 000.
- Stocks as at 31st December 2015 amount to ksh.3,000,000
- Provision for bad and doubtful debts is to be set at 10% of debtors.
- Depreciation is provided on motor vehicles and fixtures at 10% and 20% respectively on cost.

Required

Income Statement for the period ending 31st December 2016 and Financial position statement as at 31st December 2016 (15 marks)

Question Three

The following particulars relate to Suna Charitable Hospital for the year ended 31st March, 2017.

Receipts and Payments Account For The Year Ended 31st March 2017

Receipts	Shs.	Payments	Shs.
cash in hand on 1 st April 2016	7,130	Medicines	30,590
Subscriptions	47,996	Doctor's Honorarium	9,000
Donations	14,500	Salaries	27,500
Interest on investments @ 7%		Petty Expenses	461
For full year	7,000	Equipment	15,000

Proceeds from Charity Show	10,450	Expenses on Charity Show	750
	<u> </u>	Cash in hand on 31 st March 2017	<u>3775</u>
	<u>87,076</u>		<u>87,076</u>

Additional information:

	On 1 st April 2016	On 31 st March 2017
	Shs.	Shs.
(i) Subscription due	240	280
(ii) Subscriptions received in advance	64	100
(iii) Stock of Medicines	8,810	9,740
(iv) Estimated Value of equipment	21,200	31,600
(v) Buildings (cost less depreciation)	40,000	38,000

Required:

- a) Income and expenditure statement for the year ended 31st March, 2017. (10 marks)
- b) Statement of Financial position as at 31st March, 2017. (5 marks)

Question Four

The following trial balance has been extracted from the books of Asego Enterprises, 1st April 2016.

Participation	Debit	Credit
	Kshs. (000)	Kshs. (000)
Ordinary Shares sh. 10 each		18,000
10% preference Shares sh. 10 each		3,000
8% loan stock		3,000
Share premium		2,400
Trade debtors and trade creditors	9,900	4,440
Discounts	150	390
Freehold buildings: At cost	15,000	
Provision for depreciation		1,500
Purchases and Sales	126,600	144,000
Fixtures and fittings: at cost	19,200	
Provision for depreciation		7,680

Stock on April 2015	12,600	
Selling and distribution expenses	5,010	
Establishment expenses	3,900	
Administration expenses	1,680	
Bad debts written off	120	
Provision for doubtful debts		540
Profit and loss account at 1.4.15		10,860
Good will	4,800	
Bank overdraft		750
Returns Outwards		2,400
	198,960	198,960

Additional Information

- a) The debtors balance includes ksh. 600,000 due from Otieno who has now been declared bankrupt and it has been decided to write-off this debt as a bad debt.
- b) The provision for doubtful debts is to be adjusted to 5% of trade debtors at 31st march 2016.
- c) Establishment expenses prepaid at 31st march 2016 amount to sh. 120,000. The difference is to be written off during the year.
- d) Administration expenses accrued due at 31st march 2016 amount to sh. 210,000.
- e) The company paid the interest on the loan stock for the year ended 31st march 2016 on 28th may 2016.
- f) Gross profit is at the rate of 20% of sales.
- g) Depreciation is provided annually on the cost of fixed assets held at the end of the year at the following rates:
 - a. Freehold buildings 2%
 - b. Fixtures and fittings 10%

- h) Closing stock ksh. 21,600,000
- i) The company's directors propose that the preference share dividend be paid, a dividend of 10% on the ordinary shares to be paid and to transfer an amount of 7,500,000 to general reserve.

Required:

- a) Income Statement for the year ended 31st December 2016. (10 marks)
- b) Profit and loss appropriation account for the year ended 31st December 2016. (5marks)

Question Five

The trial balance of Kiberiti Ltd as at 31st October, 2014 is as follows:

	Sh.'000	Sh.'000
Ordinary shares of Sh.50 each		10,000
10% preference shares of Sh.100 each		9,000
10% debentures		8,000
Land and buildings (net book value)	25,000	
Plant and machinery (net book value)	8,000	
Motor vehicles (net book value)	2,000	
Inventory	6,000	
Accounts receivables and payables	20,000	19,000
Cash at bank	4,100	
Capital redemption reserve		6,000
Share premium		4,000
Retained profits as at (November 2013)		3,000
Debenture interest	400	

Preference dividend	450	
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Gross profit		25,000
Other operating income		4,000
Administrative expenses	13,000	
Distribution costs	6,000	
Other operating expenses	1,550	
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Interim ordinary dividend paid	2,000	
Corporation tax		<u>500</u>
	<u>88,500</u>	<u>88,500</u>

Additional information:

- A building whose net book value is currently Sh.5 million is to be revalued to Sh.9 million
- A final ordinary dividend of Sh.2 million is proposed.
- The balance on the corporation tax for the current year is estimated at Sh.3 million.

Required:

- Income statement for the year ended 31st October, 2014. (10 marks)
- Financial Position Statement as at 31st October, 2014. (5 marks)

Question Six

Dr. Elton commenced practice as an eye specialist investing sh.50,000 in medical apparatus. His father lent him an interest free loan of Shs.20,000 recoverable after two years. His grandmother made a free donation of a refrigerator worth Shs.5,000. The business was started on 1st January 2015. The receipt and payments account for the year ended 31st December 2015 was as follows:

Receipts	Sh	payments	Sh
Fees	100,000	Rent paid	6,000
Miscellaneous Receipts	4,000	salary to Assistant	15,000
Loan (father)	20,000	Medical Journals	2,000
Miscellaneous Receipts	200	Library Books	6,000
		Equipment purchased	20,000
		Medicine	15,000
		Office repairs and maintenance	1,500
		Drawings	24,000
		Bank	34,000
		Cash	700
	<u>124,200</u>		<u>124,200</u>

The following additional information is available: -

- (i) Sh.3,000 of the fees were still to be received.
- (ii) Equipments were sold on 1st October 2015, the cost of equipment sold being Sh.6,000.
- (iii) Provide depreciation as follows:
Apparatus and equipment: 20% per annum.
Library books: 5% per annum

(iv) Salaries to assistants include the advance taken of Shs3,500 and also there were prepayments made in respect of office repairs and maintenance contract amounting to Shs.300.

(v) Rent was paid 3 months in advance for 2016.

Required

Prepare Income and Expenditure Account for the year ended 31 December 2015 and a financial position statement as at that date.

(15 marks)
