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MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2016/2017 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 209**

**COURSE TITLE: FINANCIAL ACCOUNTING II**

**DATE: 25TH APRIL 2017 TIME: 8.30AM-10.30AM**

**INSTRUCTIONS TO CANDIDATES**

* ***Answer question ONE (compulsory) and any other THREE***
* ***Question one carries 25 marks***
* ***All other questions carry 15 marks***

*This paper consists of 6 printed pages. Please turn over*

1. A retailer commenced business on 1st January 2010 with a capital of Sh.50, 000. He decided to specialize in a single product line and by the end of June 2010, his purchases and sales of his product were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| DATE | PURCHASES |  | SALES |  |
|  | UNITS | UNIT PRICE | UNIT | UNIT PRICE |
| JAN | 50 | 500 | 30 | 700 |
| FEB | 0 | 0 | 15 | 720 |
| APR | 40 | 600 | 25 | 800 |
| MAY | 60 | 650 | 40 | 850 |
| JUN | 30 | 700 | 60 | 900 |
|  | 180 |  | 170 |  |

**Required:**

Ascertain the retailer’s gross profit for the period assuming that stock is valued on a FIFO basis. **(15 marks)**

1. On 1 June 2006, the stock of A Limited was destroyed by fire. The books of account showed the following:

|  |  |
| --- | --- |
|  | $ |
| Sales for the year to 31/12/2015 | 2,000,000 |
| Stock per Balance Sheet @ 31/12/15 | 200,000 |
| Purchases between 1/1 to 1/6/2016 | 250,000 |
| Sales between 1/1 to 1/6/2016 | 500,000 |
| Stock at cost on 1/1/2015 | 150,000 |
| Purchases for year ended 31/12/2015 | 1,650,000 |

Stock salvaged realized 20,500 and the current gross profit ratio in recent years has been constant.

**Required**

Compute the amount of insurance claim for stock. (**10 marks)**

**QUESTION 2**

The following was the balance sheet for Alex and Ben as at 31st December 2014.

**Assets**

Plant and machinery 2,800,000

Motor vehicle 1,200,000

Furniture 300,000

Investment 700,000

Stocks 500,000

Debtors 250,000

Bank 150,000

**Liabilities and Capital**

Capital : Alex 2,000,000

Ben 1,500,000

Current accounts : Alex 600,000

Ben (150,000)

Loan 1,500,000

Creditors 450,000

The firm was dissolved and additional information provided by the partners were as below:

1. Alex agreed to take over furniture at a value of Sh.250,000 and also agreed to settle the loan on behalf of the partnership.
2. The other assets were realized as follows: plant and machinery – 2,600,000; motor vehicle – 1,300,000; investment – 800,000; stocks – 450,000 and debtors – 220,000.
3. The dissolution expenses amounted to Sh.20,000
4. The profits and losses are shared at a ratio of 3:2 respectively.

**Required**

1. Realization account **(5 marks)**
2. Bank account **(5 marks)**
3. Partners’ capital accounts **(5 marks)**

**QUESTION 3**

A company issued 50000 ordinary shares of Sh.10 each payable as under:

Sh.5 on application including premium

Sh.3 on allotment

Sh.2 on 1st and final call

Sh.2 on 2nd and final call

Applications were received for 75000 shares. The excess application money was refunded to unsuccessful applicants.

**Required**

a) Journal entries to record the above **(7 marks)**

b) The necessary ledger accounts **(8 marks)**

**QUESTION FOUR**

1. On April 1, 2015, A Transport Company purchased a Motor Lorry from Motor Supply Co. Ltd. on hire-purchase basis, the cash price being Ksh. 60,000,000. Ksh. 15,000,000 on signing of the contract and balance in three annual installments of Ksh. 15,000,000 each on 31st March every year. In addition to it, interest at 5 per cent per annum was also payable to vendors on outstanding balances

**(10 marks)**

1. What are the conditions of Hire Purchase? **(5 marks)**

**QUESTION FIVE**

The following balances relate to Innu supermarket for the year ended 31st march 2016.

$

Rent and rates 4,200

Delivery expenses 2,400

Commission 3,840

Interest 900

Discounts received 1,968

Salaries and wages 31,500

Advertisement 1,944

Depreciation 2,940

Administration and general expenses 7,890

Purchases: Department A – 52,800; B – 43,600; C – 34,800

Sales: Department A – 80,000; B – 64,000; C – 48,000

Opening stocks: Department A – 14,600; B – 11,240; C – 9,120

Closing stock: Department A – 12,400; B – 8,654; C – 9,746

Except as follows, expenses are to be apportioned equally between the departments.

1. Delivery expenses – proportionate to sales
2. Commissions – 2% of sales
3. Salaries and wages– in the proportion of 6:5:4
4. Discount received – 1.5% of purchases

**Required**

Departmental trading, profit and loss account in columnar form **(15 marks)**