



WI-2-60-1-6

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATIONS 2017/2018**  
**YEAR 4 SEMESTER 2 EXAMINATIONS FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**IN LAND RESOURCES PLANNING AND MANAGEMENT/ANIMAL HEALTH PRODUCTION**  
**AND PROCESSING**

**ALP 2401/HRD 2117: INTRODUCTION TO BOOK KEEPING AND ACCOUNTING**  
**DATE: AUGUST 2018** **TIME: 2 HOURS**

Answer question ONE compulsory and any other two questions only

Do not write anything in the question paper

**QUESTION ONE**

- a) The following trial balance was extracted from the books of Gesuma power mills ltd. as on 31<sup>st</sup> March 2018

Particulars	Dr sh 000	Cr sh 000
Capital		38,000
Freehold premises	35,000	
Plant and machinery	23,000	
Motor van	15,000	
Debtors and creditors	8,500	7,060
Purchases and sales	28,500	42,800
10% cooperative bank loan		10,000
Bad debts	430	
Stock	3,620	
General expenses	1,000	
Interest on loan half year	500	
Discounts	550	420
Bank balance	4,780	
Salaries	4,500	
Directors fees	2,000	
Insurance premium	400	
Provisions for depreciation		
• Plant and machinery		17,500
• Motor van		8,000
Net profit and loss account 1 <sup>st</sup> April 2017 cb/d		4,000
	<b>127,780</b>	<b>127,780</b>

Additional information on 31<sup>st</sup> March 2018

- 1) Insurance prepaid sh 60,000
- 2) Stock sh 3,430,000

- 3) Provisions for bad debts sh 1,500,000 is to be made
- 4) Depreciation on plant and machinery as well as motor vehicle to be made at 20% on reducing balance
- 5) Interest on cooperative bank loan for half year is to be accrued

Required:

- i) Comprehensive income statement for the year ended 31<sup>st</sup> march 2018 (12 marks)
- ii) Statement of financial position on the same date (10 marks)

b) International Livestock Research Institute Kenya (ILRI) has provided the following information in relation to their inventory transactions (receipts and issuing) for the month of June 2018

Date June	Particulars
1 <sup>st</sup>	Opening balance 500 kg @ sh 100 per kg
5 <sup>th</sup>	Issue (Req 323) 300 Kg
9 <sup>th</sup>	Receipt (G R No 215) 600 kg @ sh 110 per kg
14 <sup>th</sup>	Issue (Req No 4230) 250 Kg
20 <sup>th</sup>	Receipt (G R No 222) 100 kg @ sh 120 per kg
27 <sup>th</sup>	Issue (Req No 524) 400 kg

It is the organization policy that inventories are to be issued on FIFO method

Required: inventory ledger account balance for the month of June 2018 (8 marks)

## QUESTION TWO

Mark Oryango is sole trader dealing with farm products in Juja. The following are the transactions for the month of May 2018.

Date May 2018	Particulars of the transactions
1 <sup>st</sup>	Introduced into business capital of sh 1,200,000 in the bank and cash 500,000
2 <sup>nd</sup>	Purchases of stocks on credit from Mwende sh 250,000 and in cash from Kamau 120,000
7 <sup>th</sup>	Sales to Kimathi on credit sh 140,000 and to Mwamunga who paid by cheque sh 100,000
11 <sup>th</sup>	Purchased land and building for sh 1,000,000 and paid by cheque to Omundu Kumundu
18 <sup>th</sup>	Paid rent and wages in cash sh 40,000 and sh 200,000 respectively
21 <sup>st</sup>	Received a cheque of sh 130,000 from Kimathi
23 <sup>rd</sup>	Paid Mwende by cheque sh 250,000
25 <sup>th</sup>	Purchases of stocks in cash sh 30,000 and cheque sh 50,000
27 <sup>th</sup>	Paid commission by cash sh 32,000
28 <sup>th</sup>	Received cheque as commission sh 90,000
29 <sup>th</sup>	Took cash for family home use sh 22,000
30 <sup>th</sup>	Deposited into bank sh 60,000

Required:

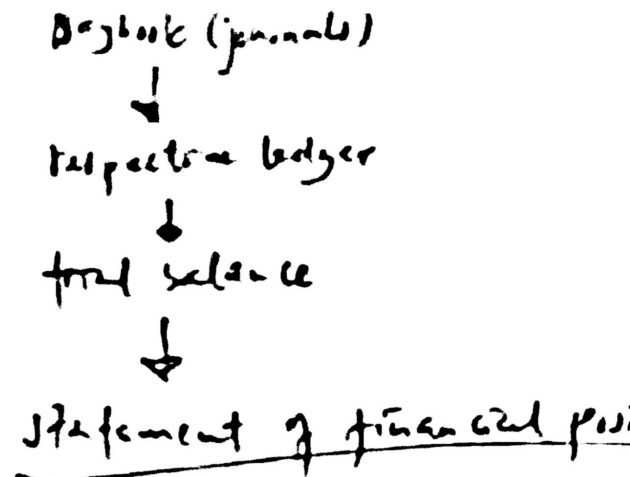
- a) A two column cash book balanced off at the end of the month (7 marks)
- b) Other respective ledger account (9 marks)
- c) Trial balance (4 marks)

### QUESTION THREE

- a) Outline the interest usage of accounts information of an organization to the following persons:
  - i. Central government (4 marks)
  - ii. Investors (4 marks)

- b) Mapato farm products is a subsidiary of JKUAT which produces yogurt drinks from its farm in Juja. The following data is provided for the month of June 2018.

Opening stocks as at 1 <sup>st</sup> June 2018	KSh
Raw materials	160,000
Work in progress	210,000
Finished goods	250,000
Closing stock as at 30 <sup>th</sup> June 2018	
Raw materials	90,000
Work in progress	80,000
Finished stocks	60,000
Other information for the month	
Purchases of raw materials	510,000
Direct labour	170,000
Direct expenses	150,000
Return outwards	10,000
Factory power	80,000
Factory depreciation	100,000
Office rent	70,000
Office administrative cost	60,000
Advertising expenses	40,000
Distribution costs	30,000



Mapato enterprises expects to get profit at 20% on total cost of goods sold. For that purpose the organization needs to fix the selling price for the month.

Required: Cost sheet statement clearly showing; prime cost, works cost, cost of finished goods, cost of sales, profits and selling price (12 marks)

#### QUESTION FOUR

a) Explain the following accounting concepts

- i Substance over form (3 marks)
- ii Accrual concepts (3 marks)

b) The following statement were provided by Land Resources Management Authority (LRMA) in relation to its subsidiary company for the year ended 31<sup>st</sup> December 2017

Income statement for the year ended 31<sup>st</sup> December 2017

Details	Ksh 000	Details	Ksh 000
Opening stocks	20,000	Sales	400,000
Purchases	180,000	Closing stock	30,000
Gross profit c/d	230,000		
	<b>430,000</b>		<b>430,000</b>
Less expenses		Gross profit b/d	230,000
Wages and salaries	60,000		
Other overheads	120,000		
Net profit	50,000		
	<b>230,000</b>		<b>230,000</b>

Statement of financial position as at 31 December 2017

Liabilities	Ksh 000	Assets	Ksh 000
Equity shares at sh 10 each	3,000	Land and buildings	2,000
Profits	700	Motor vehicles	1,500
10% Equity bank loan	300	Furniture and fittings	500
Creditors	800	Stock	200
Bank overdrafts	100	Debtors	400
Bills payables	100	Cash at hand	100
		Cash at bank	300
	<b>5,000</b>		<b>5,000</b>

Required:

- i) Net profit ratio (2 marks)
- ii) Current ratio (2 marks)
- iii) Quick ratio (2 marks)
- iv) Return on Capital Employed (2 marks)
- v) Fixed assets turnover ratio (2 marks)
- vi) Comment on the liquidity status of the company (4 marks)

*Kenya Laboratory Supply Centre LTD*