

**W1-2-60-1-6**

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

# **UNIVERSITY EXAMINATIONS 2017/2018**

FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN SUPPLY CHAIN MANAGEMENT/BACHELOR OF COMMERCE

**HPS 2202 /HBC 2204 : FINANCIAL ACCOUNTING II /INTRODUCTION TO ACCOUNTING II**

**DATE: APRIL 2018 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE [COMPULSORY] AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE [30 MARKS]**

1. Discuss the term goodwill and explain why business charge goodwill. [6 marks]
2. James and John are in partnership. James withdrew shs. 150 000 from the partnership on 1st of August 2017. John withdrew shs 200 000 on the 1st of September 2017. If the interest is 10%, calculate the interest each will be required to pay and post this into their current accounts. [8 marks]
3. Highlight any six contents of a partnership agreement. [6 marks]
4. Discuss the purposes of accounting rations [6 marks]
5. Clearly show the forms of a trading profit and loss account. [4 marks]

**QUESTION TWO [20 MARKS]**

1. The following is a balance for X, Y and Z partnerships for the period ended on 31st December 2017. The partners share profits equally.

**No. of Current Assets shs. ‘000’ shs. ‘000’**

Land and buildings 12 000

Plant and machinery 5 000

Motor vehicles 6 000

Furniture and fittings 500

**23 500**

**Current Assets**

Inventory 4 000

Debtors 3 000

Bank 2 500

Cash 1 000 10 500

**34 000**

Financed by

Capital X 10 000

Y 10 000

Z 10 000

General reserve 500

Loan from bank 3 500

**34 000**

They decided to admit W into the partnership. W was to bring capital of 10 000 000. They decide to revalue the assets.

* Goodwill account was created for 3 000 000
* Land and building valued upwards by shs 2 000 000
* Plant and machinery valued upwards by 1 000 000
* Motor vehicles were valued downwards by 800 000
* Furniture and fittings valued upwards by shs 50 000
* Inventory valued upwards by shs 250 000
* Provisions for bad debtors to be 10% of dectors.

Required:

1. The revaluation account [10 marks]
2. The partnership capital account [10 marks]

**QUESTION THREE [20 MARKS]**

The following information was extracted from the books of Davidson for the

month of December 2016.

Shs.

Sales 2 500 000

Postage and Telephone 100 000

Electricity 150 000

Water 200 000

Salary 750 000

Rent 150 000

Cash balances 500 000

Purchases 1 200 000

Additional Information

* Postage and telephone were increasing at the rate of shs 10 000 each month and was to be paid the same month.
* Electricity was increased by 10% on the previous months figure and was paid in the following month.
* Water increased by 5% on the previous figure and was paid in the same month.
* Salaries and rent remained constant and were paid in the same month.
* Sales increased by 20% every month. half of the sales were received in the month of sales while half were paid for the following month
* During the month of March, Davidson was to buy a delivery van amounting to shs 2 500 000. He was to pay for it as follows:

1. March shillings shs. 1 500 000
2. April shs. 500 000
3. May shs. 500 000

* Purchase increased by 200 000 every month and were paid for in the following month .

**Required:**

Prepare a cash budget for January to April 2017. [20 marks]

**QUESTION FOUR [20 MARKS]**

The following information was found in the books of Patrick who did not maintain

his books under the double entry system as at 1 – 1- 2017.

Shs. ‘000’

Land and building 7 000

Plant and machinery 10 000

Motor vehicle 7 500

Creditors 4 000

Debtors 3 000

Stocks 2 550

Bank 1 250

Cash 750

Prepayments 6 550

During the year the following transaction took place

* Purchase amount to shs 6 00 000 4 000 000 were on credit, while shs 2 000 000 were paid by cash.
* Sales amounted to shs 18 000 000. Shs 3 000 000 was on credit and the rest was paid through the bank
* The paid through the bank salaries amounting to selling 2 000 000, salaries outstanding amount to shillings 2 000 000.
* He paid by cash shs 150 000 for electricity
* He paid through bank shs 500 000 insurance. Insurance prepaid amounted to shs 50 000.
* He received shs 1 500 000 through the debtors. He made a provision of the outstanding debtors at 10%.
* He paid through the bank shs 3 000 000 to the creditors.

**Required:**

1. The statement of affairs as at 1/1/2017.
2. Receipt and payment account for the year ended. 31/12/2017.

**QUESTION FIVE [20 MARKS]**

The following information was extracted from the books of TK Ltd manufacturing

company.

Shs. (000)

Opening stock of raw materials 4 500

Purchase of raw materials 29 000

Carriage of raw materials 750

Raw materials returned to suppliers 1 250

Opening stock of finished goods

Closing stock of finished goods 450

Closing stock of finished goods 900

Sales 59 000

Return inwards 900

Discount received 1 050

Salaries 2 600

Electricity 650

Power 1 000

Depreciation of plant and machinery 850

Work in progress (opening) 950

Work in progress (closing) 1 100

Administrative expenses 1 500

**Additional Information**

* Electricity prepaid amounted to shs 75 000
* Included in the salaries is advance salary payment on shs 125 000
* An amount of discount allowed shs 140 000 had not been accounted for

**Required:**

* The manufacturing account [10 marks]
* The income statement [10 marks]