



**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

MAIN/BUNGOMA/NAIROBI/WEBUYE CAMPUS

UNIVERSITY EXAMINATIONS
2018/2019 ACADEMIC YEAR

FIRST YEAR SEMESTER TWO EXAMINATIONS

FOR THE DEGREE
OF
BACHELOR OF COMMERCE

COURSE CODE: BCA 103

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: Friday 31st May 2019

TIME: 12:00 – 2:00 PM

ISSTRUCTIONS TO STUDENTS

Answer QUESTION ONE and ANY OTHER TWO (2) questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This paper consists of 4 printed pages. Please turn over

SECTION A: COMPULSORY (30 MARKS)

QUESTION ONE

- a) With respect to accounts of non-profit making organizations, distinguish between the following two accounts;
- i) Income and expenditure account
 - ii) Receipts and payments account **(4 marks)**
- b) Briefly discuss the objectives of preparing a statement of cashflows **(4 marks)**
- c) G Nafula, a sole proprietor dealing in phone accessories does not keep proper records. She gives you the following information as at 30th June 2018;

	sh
Stock 1 July 2017	6,000,000
Purchases	54,000,000

Nafula's mark-up is 50% on cost of goods sold, her average stock during the was sh 12,000,000.

Required;

- i) Closing stock as at 30th June 2018 **(3 marks)**
 - ii) Gross profit for the period **(5 marks)**
- d) Distinguish between ordinary and preference dividends with respect to company accounts **(6 marks)**
- e) The following information was extracted from the trial balance of venture manufacturers for the year ended 31st December 2017.

	Ksh
Stock of raw materials 1 Jan 2017	21,000
Work in progress 1 Jan 2017	13,500
Factory wages (direct)	325,000
Carriage inwards (on raw materials)	3,500
Purchases of raw materials	370,000
General factory expenses	31,000
Factory lighting	7,500
Factory salaries	13,700
Stock of raw materials 31 st Dec 2017	24,000
Stock of work in progress 31 st Dec 2017	15,000
Sales representatives' salaries	30,000
Commission on sales	11,500

Required; compute the

- i) Prime cost for the year ended 31st Dec 2017 **(5 marks)**
- ii) Factory overhead cost **(3 marks)**

SECTION B: ATTEMPT ANY TWO QUESTIONS

QUESTION TWO (20 marks)

The following information was extracted from the books of Rubani Limited as at 30th September 2018.

	Ksh, 000
Building at cost	500
Provision for depreciation on building	50
Fixtures and fittings at cost	640
Provision for depreciation, fixtures and fittings	256
Inventories (1 Oct 2017)	420
Return outwards	80
Establishment cost	130
Administrative expenses	56
Selling and distribution expenses	167
Bad debts written off	4

Allowance for doubtful debts (1 Oct 2017)	18
Revenue reserves (1 Oct 2017)	362
Goodwill	160
Bank overdraft	25
Ordinary shares of sh. 20 each fully paid	600
8% preference shares of sh. 20 each fully paid	100
Share premium account	80
6% debenture	100
Trade payables	148
Trade receivables	330
Sales	4800
Purchases	4200
Discount allowed	5
Discount received	13

Additional information

- Inventory as at 31st September 2018 was valued at 560,000
- Depreciation is to be provided on the cost of non-current assets as follows,

Asset	Rate
Building	20% p.a
Fixtures and fittings	10% p.a
- The allowance for doubtful debts is to be 5% of trade receivables
- Trade receivable balance include a debt of sh. 10,000 which should be treated as bad debt
- Establishment expenses prepaid during the year amounted to 4,000 while administrative expenses accrued were sh. 7,000
- The company paid debenture interest for the year, sh. 60,000
- The directors have proposed payment of 8% preference share dividends and ordinary share dividends of sh, 10%
- Proposed tax for the year was sh. 20,000

Required; Income statement and statement of financial position as at 30th September 2018 (20 marks)

QUESTION THREE (20 MARKS)

- a) "Most start-ups do not maintain proper records or keep incomplete." This was a statement that was made in a recently concluded Accounting conference. Briefly explain four (4) reasons why business entities keep incomplete records (4 marks)

- b) The following balances were extracted from the books of Kopesha Limited for the month of November 2018:

Balances on 1 November 2018	Ksh
Sales ledger	9,123,000 (debit)
	211,000 (credit)
Purchases ledger	4,490,000 (credit)
	88,000 (debit)
Transactions during November 2018:	
Purchases on credit	18,135,000
Receipts from customers by cheques	27,370,000
Sales on credit	36,755,000
Discount received	1,734,000
Payment to creditors by cheque	15,413,000
Contra settlement	3,046,000
Customers cheques dishonored	489,000
Cash received from credit customers	10,707,000
Refunds to customers for overpayment	53,000
Discount allowed	2,452,000
Balances on 30 th November 2018	
Sales ledger	136,000 (credit)
Purchases ledger	67,000 (debit)

Required:

- i) Sales ledger control account and (8 marks)
- ii) Purchase ledger control account (8 marks)

QUESTION FOUR (20 MARKS)

The following list of balances as at 30th September 2017 has been extracted from the books of Juu and Chini partnership, sharing the balance of the profits and losses in the proportion 3:1 respectively.

	Ksh. '000'	
Sales	483,150	
Stock in hand (1 Oct 2016)	34,500	
Purchases returns		9,150
Carriage inwards		2,550
Carriage outwards	3,600	
Fixtures and fittings at cost	39,000	
Provision for depreciation	16,800	
Motor vehicle	69,000	
Provision for depreciation	37,000	
Provision for doubtful debts	450	
Current account balances (1 Oct 2016):		
Juu	5,400	
Chini	3,600	
Capital account balances (1 Oct 2016):		
Juu	49,500	
Chini	25,500	
Accounts receivables	13,950	
Accounts payable		12,600
Balance at bank		11,550
Printing stationery and postage	5250	
Purchases	312,300	
Telephone charges	4359	
Drawing: Juu	36,000	
Chini	16,500	
Motor vehicle running cost	8,430	
Discount allowed	1,425	
Discount received	555	
Sales returns	3,150	
Rent and rates	15,450	
Staff salaries	54,150	

Additional information

1. Chini is to be credited with a salary at the rate of sh.18,000,000 per annum from 1 April 2017.
2. Stock at hand at 30th September 2017 has been valued at cost at sh. 48,000,000.
3. Telephone chargers accrued due at 30th September 2017 amounted to sh. 600,000 and rent of sh. 900,000 prepaid at that date.
4. During the year ended 30th September 2017 Chini had taken good costing sh. 500,000 for his own use.
5. Depreciation is to be provided at the following annual rates on the straight-line basis:
 - Fixtures and fittings 10%
 - Motor vehicle 20%

Required:

- a) Prepare an income statement and appropriation account for the year ended 30th September 2017 (9 marks)
- b) Partners' current account (4 marks)
- c) Prepare a statement of financial position as at 30th September 2017 (7 marks)