



(University of Choice)

**MASINDEMULIROUNIVERSITY OF
SCIENCE AND TECHNOLOGY
(Kisumu Campus)**

**UNIVERSITY EXAMINATION
2015/2016 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER EXAMINATIONS**

**FOR THE DEGREE
OF
BACHELOR OF COMMERCE**

COURSE CODE: BCA 100

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: June 2016

TIME: 2 Hours

INSTRUCTIONS TO CANDIDATES

- Answer Question ONE and any other TWO questions

Section A

Question One

The following was extracted from the books of Kalembo Ltd as at 31st December 2015:

	Dr	Cr
	Kshs'000'	Kshs'000'
Property, Plant and Equipment	221,350	
Accumulated Depreciation		57,880
Accounts Receivables	103,046	
Provision for Doubtful Debts		2,200
Insurance Expense	1,086	
Bank balances	147,928	
Accounts Payables		82,558
Purchases / Sales	426,174	526,016
Sales Returns /Purchases Returns	5,066	4,028
Advertisement	784	
Rates and Rent	524	
Salaries and Wages	2,074	
Share Capital		200,000
Retained Profits		35,350
	908,032	908,032

The following information is available:

1. Inventory as at 31st December 2015 was Kshs 25,490,000
2. Provision for bad and doubtful debts to be increased to Kshs 2,458,000
3. Depreciation on Property, Plant and Equipment is to be provided at the rate of 10% using the reducing balance method
4. Insurance expenses prepaid amount to Kshs 215,000 while Salaries and wages accrued was Kshs 110,000 and Accrued Advertisement was Kshs 240,000 as at 31st December 2015.
5. Kalembo Limited had delivered to a customer goods amounting to Kshs 501,000 on 31st December 2015. The customer is yet to be billed for the same.
6. The directors have proposed an ordinary dividend of 10% for the year.

Required:

- (a) Income Statement for the year ended 31st December 2015 (10 marks)
- (b) Financial Position as at 31st December 2015 (10 marks)

Question Two

XYZ Ltd had cash in hand and at bank of Shs 3,000 and 17,000 respectively on 1st January 2016 representing the capital of the business. The company made the following transactions during the month of January 2016:

Date	Transaction Details	Shs
2 nd	Purchased good from B Ltd on credit	10,000
2 nd	Purchased office stationery and paid by cash	2,000
2 nd	Sold goods to A Ltd on credit	5,000
3 rd	Sold goods to C Ltd on credit	7,000
3 rd	Made cash sales	5,000
4 th	Purchased goods for resale using cash in hand	5,000
4 th	Sold goods to A Ltd on credits	3,000
4 th	Made cash sales	4,000
4 th	Paid office telephone bill using cash in hand	3,000
5 th	Purchased goods on credit from D Ltd	20,000
5 th	Sold goods to C Ltd on credit	15,000
10 th	Made cash sales	10,000
12 th	Sold good on credit to A Ltd	20,000
12 th	Purchased good for resale using cash in hand	12,000
30 th	Paid rent by cheque	10,000
30 th	Paid salaries by cheque	50,000
30 th	Paid D Ltd by cheque less 10% discount	18,000
31 st	Received a cheque from A Ltd less 5% discount	26,600
31 st	Received cash from C Ltd less 5% discount	20,900
31 st	Paid B Ltd by cheque less 10% discount	9,000
31 st	Deposited part of cash in hand to the bank	20,000

Required: Prepare the following for XYZ Limited for the month of January 2016:

- (a) A three -column cash book (8 marks)
- (b) Sales Ledger Account (2 marks)
- (c) Purchase Ledger Account (2 marks)
- (d) Debtors Ledger Account (2 marks)
- (e) Creditors Ledger Account (2 marks)
- (f) A trial balance as at 31st January 2016 (4 marks)

Question Three

Briefly explain the following and their application in the preparation of financial statements:

- (a) Suspense account (4 marks)
- (b) Going concern concept (4 marks)
- (c) Accrual/Matching concept (4 marks)

- (d) Prudence concept
- (e) Materiality concept

(4 marks)

(4 marks)

Section B

Question Four

Highlight five major users of financial statements and explain their information needs. (10 marks)

Question Five

KK Ltd received their bank statement for the month of October 2015. It reflected a credit balance of Sh.9, 290,000. However, the cash book balance as at 31 October 2015 indicated a higher amount by Sh.4, 530,000.

The company accountant investigated the matter and discovered the following discrepancies:

1. Cash amounting to Sh.1, 704,000 though entered in the cashbook as having been banked had been embezzled by the accounts clerk in the office.
2. The bank had erroneously debited KK Ltd with an amount of Sh.2, 510,000.
3. Direct deposits by debtors amounted to Sh.13, 080,000. These deposits were made via electronic funds transfer.
4. Uncredited cheques as at 31 October 2015 amounted to Sh.9, 624,000.
5. The bank paid a standing order of Sh.1, 770,000 for goods purchased on hire purchase.
6. Cheques issued to suppliers, but not yet presented to the bank as at October 2015 amounted to Sh.2, 640,000.
7. Bank charges amounting to Sh.484, 000 had not been entered in the cash book.
8. A cheque from a debtor for an amount of Sh.1, 446,000 was returned by the bank stamped 'Account closed'.
9. A forged cheque in favors of XYZ Ltd was presented to the bank. The cheque which amounted to Sh.2, 712,000 was paid by the bank.

Required:

- (a) Adjusted cash book as at 31 October 2015

(6 marks)

- (b) Bank reconciliation statement as at 31 October 2015

(4 marks)