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(University of Choice)

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

MAIN/BUNGOMA/WEBUYE/NAIROBI CAMPUS

UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR

MAIN EXAM

FIRST YEAR SPECIAL/SUPPLIMENTARY EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 103

COURSE TITLE: FINANCIAL ACCOUNTING II

DATE: FRIDAY, 5TH AUGUST 2022 **TIME:** 8-10 AM

INSTRUCTIONS TO CANDIDATES

Answer **QUESTION ONE** and **ANY OTHER TWO (2)** questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

QUESTION ONE (COMPULSORY 30 Marks)

A. Briefly explain the appropriation section of a company's statement of comprehensive income. (4 Marks)

B. The following balances remained in the books of Zawadi Limited at 30th June 201` after the preparation of the Trading Account.

Share Capital, authorized and issued (24000 Sh.20 ordinary shares	480,000
8,000 8% Sh.20 preference Shares	160,000
Stocks at 30th June 2013	335408
Accounts receivable and prepayments	108,800
Accounts payable and accruals	54,888
Bank Balance	31,184
10% Debentures	64,000
General Reserves	112,000
Bad Debts	1,360
Gross profit for the period	326,032
Wages and Salaries	112,800
Rates and Insurance	5,640
Postage and Telephone	2,480
Light and Fuels	4,864
Debenture Interest	3,200
Directors fees	10,000
General Expenses	12,432
Motor vehicles (cost Sh.116, 400)	27,200
Office Fittings and equipment (cost Sh.178,566)	109,760
Land and buildings at cost	528,800
Profit and Loss Account at 1st July 2012	97,008

The following additional information is provided:

i. A bill for Sh. 2,192 in respect of electricity up to 30th June 2021 has not been accrued.

ii. The amount for insurance includes a premium of Sh. 1,200 paid in March 2021 to cover the company for six months. April to September, 2021.

iii. Office fittings and equipment are to be depreciated at 15% of cost and vehicle at 20% of cost.

iv. Provisions are to be made for:

Directors	20,000
Audit fee	4,800
Outstanding debenture interest	3200

v. The directors have recommended that:

48,000 be transferred to General Reserve
The preference dividend be paid
A 10% ordinary dividend be paid

Required:

a. Prepare a statement of comprehensive income for the period ended 30th June 2021. (10 Marks)

b. A statement of financial position as at the same date. (10 Marks)

C. The following particulars relate to Mshindi traders for the period ended 31st March, 2021.

Total Debtors on April 1, 2021	14,750
Total creditors on April 1, 2021	8,970
Cash received during the year from sundry debtors	57,450
Discounts allowed during the year	580
Bad debts written off	850
Returns inwards	1,150
Bills received from customers	9,600
Cash paid to sundry creditors	29,780
Discounts received from sundry creditors	430
Returns to suppliers	520
Bills payable	6,400
Total Debtors on 31st March, 2022	13,890
Total creditors on March 31st, 2022	9,450

Required:

Find out the credit sales and credit purchases for the year ended 31st March, 2022. (6 Marks)

QUESTION TWO (20 MARKS)

A. Explain the following terms in relation to cash flow statement:

i. Cash (2 Marks)
ii. Cash equivalents (2 Marks)
iii. Operating activities (2 Marks)
iv. Investing activities (2 Marks)
v. Financing activities (2 Marks)

B. The following information relate to the books of Ajabu co. For the year ended 30th September 2021:

	Sh. 000
Profit before tax	65,000
Depreciation expense	61,000
Increase in inventory	36,000
Dividend payment	17,000
Increase in accounts payable	31,000
Loan repayment	20,000
Increase in accounts receivable	71,000
Purchase of PP&E	32,000
Tax paid	16,000
Cash at the beginning of the year	12,000
Cash at the end of the year	(23,000)

Required:

Prepare a cash flow statement for Ajabu Co. For the year ended 30th Sept.2021. (10 Marks)

QUESTION THREE (20MARKS)

A. Explain the difference between prime costs and factory overheads. (4 Marks)

B. The following trial balance relates to the books of Marina Co. ltd for the period ended 31st December 2021.

	Dr	Cr
Stock of raw materials 1.1.2021	21,000	
Stock of finished goods 1.1.2021	38,900	
Work in progress 1.1.2021	13,500	
Wages(direct 180,000: factory indirect 145,000)	325,000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost 280,000)	230,000	
Accounting machinery (cost 20,000)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Sales representatives' salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1000,000
Debtors and creditors	142,300	125,000
Bank	56,800	
Cash	1,500	
Drawings	20,000	
Capital as at 1.1.2021		29,680
	1,421,800	1,421,800

Notes at 31.12.2021

1. Stock of raw materials 24,000, stock of finished goods 40,000, work in progress 15,000.
2. Lighting, and rent and insurance are to be apportioned: factory 5/6ths, administration 1/6th.
3. Depreciation on productive and accounting machinery at 10 per cent per annum on cost.

Required:

i. Prepare a Manufacturing, Trading Profit and Loss Account for the year ended 31 December 2021. (8 Marks)

ii. A statement of financial position as at the same date. (8 Marks)

QUESTION FOUR (20 MARKS)

A. Enumerate some of the provisions of a Partnership Act regarding the rights of the partners where a partnership deed doesn't exist. (6 Marks)

B. Active and Blunt had been in a partnership for many years as valuers sharing profits and losses equally. On April, 1 2006 they entered into a new partnership agreement under which the profits earned in any year were to be distributed as follows:

Up to 80,000	equally	
Excess over 80,000	1/3 Active	2/3 Blunt

Although they shared profits in accordance with new agreement, they continued to prepare their accounts upon the old basis i.e. ignoring fees earned on incomplete work. At the end of 2009-2010 it was pointed out to them that they were not following the terms of their agreement, and it was agreed that such correcting entries as might be necessary should be put through as on March 31, 2010. The profits already dealt with were as follows:-

2007-2008	75,000
2008-2009	82,100
2009-2010	93,500

The outstanding fees not brought into account were:

On 31st March, 2007	9,600
On 31st March, 2008	12,800
On 31st March, 2009	15,500
On 31st March, 2010	9,200

Required:

Assuming that the books were duly closed at the end of each year, give the entries necessary to correct the partners accounts. (14 Marks)