



(University of Choice)

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

MAIN, WEBUYE, BUNGOMA CAMPUS

**UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR**

FIRST YEAR SEMESTER TWO EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR OF COMMERCE**

COURSE CODE: BCA 122 /BCA 103

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: Tuesday 16TH April 2024

TIME: 11.30-1.30pm

INSTRUCTIONS TO CANDIDATES

Answer QUESTION ONE and ANY TWO (2) questions

TIME: 3 Hours

MMUST observes ZERO tolerance to examination cheating

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QUESTION ONE (30 MARKS)

(a) James Jenga LTD is a distributor of TV sets. The sales are entirely on credit terms. The following balances were extracted.

From its ledgers at 30th September 2022:

Sales	21,716,070
Creditors-Balance at 30 th Sep 2021	1,403,430
Debtors-Balance at 30 th Sep 2021	2,538,330
Purchases of TV sets	10,287,480
Discounts allowed	246,420
Cash received from debtors	20,978,010
Cash paid to creditors	9,655,590
Return inwards	1,107,750
Carriage outwards	157,920
Overdraft interest	382,440
Provision for bad and doubtful debts (at 30 th September 2021)	144,390
Discounts received	209,340

Additional information:

A cheque for Sh. 37,380 from B. Kamau, a customer, has been returned by the bank marked "Effects not cleared". Bad debts totaling Sh.205,620 are to be written off and the provision for doubtful debts is to be raised to 10% of the debtor balance at 30th September 2022. **Required:**

I. Debtors ledger control account

(9 Marks)

II. Explain any five benefits that accrue from operating control accounts

(5 Marks)

(b) Smith and Jones are in partnership, sharing profits and losses equally (1:1). For the year ending 31st December 2022, the following information was extracted from the partnership's books of accounts;

1. Smith is entitled to a salary of shs. 1,000,000 p.a. and Jones is given a commission of shs. 500,000.
2. Smith and Jones contributed shs.4, 500,000 each as capital with an interest on capital of 10% p.a.
3. During the year, Smith and Jones made drawings of Shs.2,000,000 each. The rate of interest charged on such drawings being of 10% p.a.
4. Current account balances on 1 January : Smith Shs.550,000 (Credit balance)
Jones Shs. 700,000 (Debit balance).

5. The Net Profit registered for the year was Shs. 5,000,000. **Required:**

(i) The Partners' Current account;

(8 Marks)

(ii) Statement of financial position (extract) as at 31st December 2022

(3 Marks)

(iii) Discuss the contents of a partnership deed

(5 Marks)

QUESTION TWO (20 MARKS)

(a) A sole trader's capital position as at 31st December is as follows:

	2019 (sh 000)	2020(sh 000)
Motor vehicle:		
Cost	7,500	7,500
Depreciation	3,000	4,500
Net book value	4,500	3,000
Inventory	2,960	3,450
Accounts receivable	1,150	2,060
Bank	925	2,125
Cash in hand	263	54
	9,798	10,689
Accounts payable	2,860	3,340
Net assets	6,938	7,349

He has estimated his drawings for 2020 at sh12,500,000.

- Required;** (i) Estimated net profit for the year ended 31st December 2020 (10 Marks)
(ii) Explain any FOUR reasons as to why a trader may not keep complete records (4 Marks)
(b) State and briefly explain any three distinguishing features between Receipts and payments account and income and expenditure account in Non-profit making organizations. (6 Marks)

QUESTION THREE(20 MARKS)

The trial balance extracted from the books of SBM limited at 31st Dec 2020 is as follows;

	Shs	Shs
Share capital		100,000
Retained earnings (31 st Dec 2019)		34,280
Freehold premises at cost	65,000	
Machinery: at cost	55,000	
:Accumulated depreciation as at 31 st Dec 2019		15,800
Purchases	201,698	
Sales		316,810
General expenses	32,168	
Wages and salaries	54,207	
Rent	4,300	
Lighting expenses	1,549	
Bad debts	748	
Provision for doubtful debts at 31 st Dec 2019		861
Debtors	21,784	
Creditors		17,493
Inventory in trade 31 Dec 2019	25,689	
Bank balance	<u>23,101</u>	
	<u>485,244</u>	<u>485,244</u>

You are given the following additional information:-

1. The authorized and issued share capital is divided into 100,000 shares of Shs.1 each
2. Inventory at 31st trade 2020 is Shs. 29,142
3. Wages and salaries due at 31st Dec 2020 amounted to Shs.581.
4. Rent paid in advance at 31st Dec 2020 amounted to Shs.300.
5. A dividend of Shs.10, 000 is proposed for 2020
6. The provision for doubtful debts is to be increased to Shs.938
7. A depreciation charge is to be made on machinery at the rate of 10% p.a on cost.

Required:-

- (i) Income Statement for the year ended 31st Dec 2020 (12 Marks)
(ii) Statement of financial position as at that date (8 Marks)

QUESTION THREE(20 MARKS)

- 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 2022.

	Dr	Cr
Stock of raw materials 1.1.2022		21,000
Stock of finished goods 1.1.2022		38,900
Work in progress 1.1.2022		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 1.1.2022		<u>29,680</u>
	<u>1,421,800</u>	<u>1,421,800</u>

Notes at 31.12.2022

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 2022. (9 Marks)
- ii. A statement of financial position as at the same date. (7 Marks)

QUESTION FIVE

(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 2020:

	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.2020. (10 Marks)