



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN PROCUREMENT AND MATERIALS MANAGEMENT
DIPLOMA IN LOGISTICS AND TRANSPORT MANAGEMENT
DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN BUSINESS MANAGEMENT

BAC 2104: FINANCIAL ACCOUNTING

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Five printed pages.

QUESTION 1 (Compulsory)

The following information relates to a Mr. Malala, a sole trader for the first month of year of business in 2014:

January

- 1st Started business with capital worth shs. 400,000 of which shs. 300,000 he deposited into his bank account and the balance was left in his cash book accounts.
- 2nd Purchased good worth Kshs. 180,000 on credit from Mr. Patel
- 3rd Purchased on cash basis goods worth shs. 60,000
- 8th Sold goods worth shs. 120,000 (by cheque)
- 15th Sold goods worth Ksh. 40,000 (cash)
- 19th Paid rent amounting to shs. 24,000 for 3 months upto March (paid by cheque)
- 25th Purchased goods worth shs. 80,000 paying by cheque
- 25th He withdrew Kshs. 5,000 from his cash box
- 28th Sold goods worth Ksh. 70,000 being paid by cheque
- 29th Purchased goods worth Kshs. 45,000, paying by cheque
- 30th Paid his assistant Ksh. 12,000 as salary by cheque
- 31st Paid Mr. Patel his debts of shs. 180,000 by cheque
- 31st Paid the following expenses:
 - i) Water shs. 21,000
 - ii) Electricity shs. 15,000
 - iii) Telephone and postage shs. 8,000
 - iv) Office stationery shs. 12,000(the above expenses were by cheque)

Note: the above expenses were apportioned as follows:

- i) Water expenses were for the three months upto March
- ii) Electricity bill was upto February of the year.
- iii) Telephone and postage was for the month of January.
- iv) The office stationery was to last for 4 months upto April.

NB. Stocks (inventory) as at 31st January shs. 180,000)

You are required to prepare:

- a) The relevant ledger accounts **(12 marks)**
- b) A Trial balance **(8 marks)**
- c) An income statement for the month of January. **(10 marks)**

QUESTION 2

- a) Tamaa and Chunga have been in partnership for the past one year, sharing profits and losses in the ratio of 3:2 respectively. Additional information for the year:
- They are to receive interest on they capital balances at 10% per annum.
 - Their capital balances are as follows: Tamaa: sh. 400,000, Chunga shs. 120,000
 - Chunga to receive a salary of shs. 30,000 for the year.
 - Interest on drawings as follows:
Tamaa shs. 10,000, Chunga: shs. 2,000
- v) The net profit, before any distribution to the partners was shs. 200,000. You are required to prepare:

The profit and loss appropriation account for the year. (12 marks)

- b) The amount that e ach partner would receive at the end of the year. (8 marks)

QUESTION 3

The following Trial balance was extracted from the book of B. Diana on 30th April 2013 prepare her income statement for the year ended 30th April 2013 and a statement of financial position as at that date.

	Dr.	Cr.
Sales		420,840
Purchases	217,360	
Stocks	18,820	
Carriage outwards	1,680	
Return inwards	9,800	
Carriage inwards	2,230	
Return outwards		7,440
Salaries	83,600	
Motor expenses	1,824	
Rent	13,600	
Sundry expenses	636	
Motor vehicles	28,800	
Fixtures and fittings	1,824	
Accounts receivables	46,400	
Accounts payable		28,200
Cash at bank	8,200	
Cash in hand	480	
Drawings	58,880	
Capital	<u> </u>	<u>37,654</u>
	<u>494,134</u>	<u>494,134</u>

N.B Stocks as at 30th April was shs. 22,580.

Required as stated above.

(20 marks)

QUESTION 4

The following information was extracted from the books of Mr. Mjuaji, a toys manufacturer, as at 31st December 2014.

	Dr.
Sales	291,700
Machinery at cost	60,000
Materials: stock as at 1.1.2014	6,200
Purchases	77,500
Return inwards: manufactured goods	1,900
Return outwards: raw materials	3,200
Manufacturing wages: direct	103,600
Work-in-progress:	
Valued at cost 1.1.2014	3,400
Stock of finished goods as at 1 st Jan. 2014	7,400
Carriage inwards	5,900
Factory power	8,800
Factory expenses	8,400
Carriage outwards	11,100
Maintenance of machinery	3,800

Notes:

1. Depreciation is to be provided for machinery at the rate of 10% per annum.
2. The market value of finished goods which is to be charged to the Trading Account.

	Shs.
Raw materials	5,800
Work in progress	4,600
Finished goods	10,600

Required:

- a) Prepare a manufacturing account for the year ended 31st Dec. 2014 to show the cost of raw materials used, the prime cost and the cost of goods manufactured. **(12 marks)**
- b) Prepare a trading account for the year ended 31st December 2014. **(8 marks)**

QUESTION 5

- a) Explain the advantages that would induce a prospective investor to prefer investing in ordinary rather in preference shares. **(10 marks)**

- b) Although the law does not state what a written agreement of a partnership contains, what are the usual contents. **(10 marks)**