



TECHNICAL UNIVERSITY OF MOMBASA

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SCHOOL OF BUSINESS  
DEPARTMENT OF ACCOUNTING & FINANCE  
**UNIVERSITY EXAMINATION FOR:**  
BACHELOR OF COMMERCE I  
BACHELOR OF IN BUSINESS ADMISTRATION I  
BACHELOR OF BUSINESS AND OFFICE MANAGEMENT I  
BACHELOR OF BUSINESS AND INFORMATION TECHNOLOGY I  
BAC 4102: INTRODUCTION TO ACCOUNTING II  
END OF SEMESTER EXAMINATION  
**SERIES: APRIL, 2022**  
**TIME: 2 HOURS**  
**DATE: APRIL, 2022**

**Instructions to Candidates**

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of FIVE questions. Attempt question ONE (Compulsory) and any other TWO questions.

**Do not write on the question paper.**

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**QUESTION ONE**

The following trial balance was extracted from the books of Maimuna Limited as at 31 December, 2021.

	Sh.'000'	sh.'000'
Freehold land	24,000	
Buildings: Cost	135,000	
Provision for depreciation		37,500
Furniture and fitting: Cost	36,000	
Provision for depreciation		8,400
Motor Vehicles: Cost	12,000	
Provision for depreciation		6,000
Ordinary shares of shs.20 each		90,000
10% preference shares of shs. 20 each		15,000
Share premium		10,000
8% debentures		15,000

Discounts allowed/received	2,100	1,950
Returns inwards/outwards	600	12,000
General reserves		2,000
Accounts received/payable	49,500	22,200
Purchases/sales	633,000	720,000
Bad debts	900	
Administrative expenses	15,000	
Selling and distribution expenses	19,050	
Allowance for doubtful debts		2,700
Interim ordinary dividends	3,300	
Preference dividends	750	
Interest on debentures	600	
Bank overdraft		3,750
Inventory (1January, 2021)	63,000	
Director's fee	6,000	
Retained profits(1January, 2021)		<u>54,300</u>
	<u>1,000,800</u>	<u>1,000,800</u>

#### Additional information

- i. Depreciation is to be provided on the basis of cost at the following annual rates:
 

Buildings	5%
Furniture and fitting	10%
Motor Vehicles: Cost	20%
- ii. An allowance for doubtful debts at 5% should be made.
- iii. Interest on debentures and preference dividends are paid semi-annually on 1 July and 1 January every year.
- iv. Inventory in-trade on 31 December, 2021.was valued at sh.72,000,000
- v. Administrative expenses accrued as at 31 December, 2021 amounted to sh. 1,200,000 while prepaid selling and distribution expenses amounted to shs.2, 600,000.
- vi. Corporation tax is estimated to be shs.6,000,000
- vii. The director's propose to pay a final ordinary dividend of 10%.
- Viii Transfer Shs. 5,000,000 to general reserves.

#### Required:

- (a) Income statement for the year ended 31 December 2021 (14 marks)
  - (b) Statement of retained earnings for the year ended 31 December 2021 (4 marks)
  - (c) Statement of financial position as at 31 December 2021 (12 marks)
- (Total: 30 marks)**

#### QUESTION TWO

Mwani Karisa a has run a small business for many years, she has never kept the accounting recordings. However, a need to obtain a bank loan for the expansion of the business has

necessitated the preparation of 'final' accounts for the year ended 31 December 2021. As the following information has been obtained after much careful research:

1. Mweni Karisa's business assets and liabilities are as follows:

As at	1 January 2021 Sh	31 December 2021 Sh
Inventory	17,200	33,600
Accounts receivable for sales	7,800	7,600
Accounts payable for purchases	14,800	17,800
Rent prepaid	600	840
Electricity accrued due	420	320
Balance at bank	4,600	3,300
Cash in hand	720	700

2. All takings have been banked after deducting the following payments:

Cash drawings – Mweni Karisa ala has not kept a record of cash	
Drawings, but suggests these will be in the region of	Sh16,000
Casual labour	Sh 2,400
Purchase of goods for resale	sh 3,600

Note: Takings have been the source of all amounts banked.

3. Bank payments during the year ended 31 December 2021 have been summarized as follows:

	Sh
Purchases	203,000
Rent	10,080
Electricity	3,000
Delivery costs (to customers)	6,000
Casual labour	13,240

4. It has been established that a gross profit of  $33\frac{1}{3}\%$  on cost has been obtained on all goods sold.

5. Despite her apparent lack of precise accounting records, Mweni Karisa is able to confirm that she has taken out of the business during the year under review goods for her own use costing Sh.1,200.

**Required:**

a) Compute the total purchases for the year ending 31 December 2021.

**(3Marks)**

b) Prepare an income statement for the year ending 31 December 2021

**(10 Marks)**

c) Prepare a statement of financial position as at 31 December 2021.

**(7 Marks)**

### QUESTION THREE

Sichenga and Lumumba are partners sharing profits and losses in the ratio 2:1 respectively. The following Trial Balance was extracted from their books on 31<sup>th</sup> December 2021.

	Shs.	Shs.
Inventory 1 <sup>st</sup> January 2021	50,080	
Purchases and Sales	82,360	143,000
Returns Inwards and Outwards	3,000	1,600
Wages	25,750	
Discounts allowed and received	850	12,000
Insurance	5,590	
Carriage Outwards	3,430	
Loan Interest	1,000	
Cash in Hand	550	
Cash at Bank	10,940	
Accounts receivable and payable	22,480	8,750
Loan from Industrial Bank		20,000
Machinery 1 <sup>st</sup> January 2021	30,000	
Machinery bought on 1 July 2021	5,000	
Land and Buildings	35,000	
Capitals: Sichenga		57,000
Lumumba		43,000
Current Accounts: Sichenga		4,000
Lumumba	1,000	
Drawings: Sichenga	8,320	
Lumumba	<u>4,000</u>	
	<u>289,350</u>	<u>289,350</u>

The following additional information is available:

- (a) Inventory on 31<sup>th</sup> December 2021 was valued at Shs.47,000
- (b) On 31<sup>th</sup> December 2015 Shs.1,250 was owing for wages..
- (c) Allow 10% per annum depreciation on machinery pro rata.
- (d) Alex is entitled to an annual salary of Shs. 3,000
- (e) Interest on capital as well as on drawings is 5% per annum

#### Required:

- (i) Firm's income statement for the year ended 31<sup>th</sup> December 2021. **(10 Marks)**
- (ii) Firm's statement of financial position as at 31<sup>th</sup> December 2021. **(10 Marks)**

## QUESTION FOUR

The following balance sheets were extracted from the books of Apple Ltd. as at 31 December 2020 and 2021:

	<b>2020</b>	<b>2021</b>
	<b>Sh.'000'</b>	<b>Sh.'000'</b>
<b>Non-current assets:</b>		
Freehold land and buildings	11,000	10,000
Plant and machinery (net book value)	8,000	7,000
Investments	-	1,000
<b>Current assets:</b>		
Inventory	10,000	9,000
Debtors	4,100	6,100
Bank	1,900	400
	<u>35,000</u>	<u>33,500</u>
<b>Equity and liabilities:</b>		
<b>Capital and reserves:</b>		
Ordinary share of shs.100 each	11,000	10,000
10% redeemable preference share of shs.100 each	-	2,000
Share premium	4,900	3,000
Retained earnings	5,700	4,700
<b>Long term liabilities:</b>		
8% debentures	4,000	7,000
<b>Current liabilities:</b>		
Creditors	9,060	6,390
Dividend	140	110
Taxation	200	300
	<u>35,000</u>	<u>33,500</u>

Additional information for the year ended 31 December 2021:

1. Profit and loss appropriation account:

	<b>Shs.000</b>
Net profit before tax	2,300
Corporation tax	<u>(400)</u>
Net profit after tax	1,900
Proposed dividend	<u>(900)</u>
	<u>1,000</u>

2. The 8% debentures were redeemed at par.
3. The investments were sold for shs.1,200,000
4. Depreciation charged on plant and machinery amounted to shs.1, 200,000. The company did not dispose of any plant and machinery during the year.

### Required:

Cash flow statement for the year ended 31 December 2021.

**(20 marks)**

## QUESTION FIVE

- (a) i. Discuss any Five limitations of ratio analysis as a tool of measuring business performance **(5 Marks)**  
ii. Explain Five sources of revenue for non-profit making organizations **(5 Marks)**

- (b) Bwabi manufacturing company presented the following data for the year ended 30 April 2022.

	Sh.
Inventories, April 2021	
Raw materials	8,000
Work-in-progress	10,500
Finished goods	17,600
Direct labour cost	17,500
Sales	73,000
Administrative expenses	2,500
Selling expenses	3,500
Purchases of raw materials	36,500

Additional information:

- (i) Inventories as at 30 April, 2022 were:

	Sh.
Raw materials	10,600
Work-in-progress	14,500
Finished goods	19,000

- (ii) Direct labour cost was 175% of the works overhead. For the year ended 30<sup>th</sup> April, 2022, prepare:

- a) Manufacturing account **(5 Marks)**  
b) Income statement for the year ended 30<sup>th</sup> April 2022 **(5 Marks)**