



TECHNICAL UNIVERSITY OF MOMBASA

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, 2025

TIME: 2HOURS

DATE: APRIL, 2025

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.

QUESTION ONE

- (a) Discuss any **Six** clauses in the partnership deed **(6 marks)**
(b) Owala is a manufacturer. His trial balance at 31 December 2024 is as follows:

	Dr	Cr
	Sh.	Sh.
Delivery van expenses	1,760	
Light and heating – factory	7,220	
Office	1,490	
Manufacturing wages	72,100	
General expenses – factory	8,100	
Office	1,940	
Sales commission	11,688	
Purchase of raw materials	57,210	
Rent – factory	6,100	
Office	2,700	
Manufacturing (costs sh. 40,000)	8,600	
Office equipment (cost sh. 9,000)	8,200	

Office salaries	17,740	
Accounts receivable	34,200	
Accounts payable		9,400
Bank	16,142	
Sales		194,800
Van (cost sh. 6,800)	6,200	
Inventory - Raw materials	13,260	
Finished goods	41,300	
Drawings	24,200	
Capital		<u>155,950</u>
	<u>360,150</u>	<u>360,150</u>

Additional information:

- i. Closing inventory: raw materials sh, 22,000, finished goods sh. 35,600.
- ii. Depreciation: machinery sh. 3,000, office equipment sh. 600 and van sh. 1,200.
- iii. Unpaid manufacturing wages sh. 530 and prepaid office rent sh. 140.

Required:

- i. Manufacturing account for the year ended 31 December 2024. **(8 marks)**
- ii. Income statement for the year ended 31 December 2024. **(8 marks)**
- iii. Balance sheet as at 31 December 2024. **(8 marks)**

QUESTION TWO

The following balance sheets were extracted from the books of Mabepari Ltd. as at 31 December 2021 and 2022:

	2022	2021
	Sh.'000'	Sh.'000'
Non-current assets:		
Freehold land and buildings	11,000	10,000
Plant and machinery (net book value)	8,000	7,000
Investments	-	1,000
Current assets:		
Inventory	10,000	9,000
Debtors	4,100	6,100
Prepayments	1,700	1,200
Bank	<u>200</u>	<u>-</u>
	<u>35,000</u>	<u>34,300</u>
Capital and reserves:		
Ordinary share of shs.100 each	11,000	10,000
10% redeemable preference share of shs.100 each	-	2,000
Share premium	2,900	3,000
Revaluation reserve	1,000	-
Capital redemption reserve	1,000	-
Retained earnings	5,700	4,700
Long term liabilities:		
8% debentures	4,000	7,000

Current liabilities:

Bank overdraft	-	800
Creditors	8,160	5,290
Dividend	140	110
Taxation	200	300
Accrued expenses	<u>900</u>	<u>1,100</u>
	<u>35,000</u>	<u>34,300</u>

Additional information for the year ended 31 December 2022:

1. Profit and loss appropriation account:

	Shs.000
Net profit before tax	3,300
Corporation tax	<u>(400)</u>
Net profit after tax	2,900
Proposed dividend	<u>(900)</u>
	<u>2,000</u>

- The 8% debentures were redeemed at par.
- The preference shares were redeemed at a premium of 10 per cent provided out of the share premium.
- 10,000 ordinary shares of sh.100 each were issued at a premium of 10 per cent and fully subscribed.
- The investments were sold for shs.1,200,000, 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 2022.

(20 marks)

QUESTION THREE

The following is the trial balance of Tulia Ltd as on 31 December 2023:

	shs	shs
Share capital issued: ordinary shares Shs 0.20		375,000
Accounts receivable and accounts payable	169,600	24,900
5% Debenture		50,000
Inventory 31 December 2022	81,300	
Bank	117,900	
Premises at cost	265,000	
Machinery at cost	109,100	
Motor vehicles at cost	34,700	
Depreciation provisions at 31.12.2022		
Premises		60,000
Machinery		41,400
Motor vehicles		18,200
Sales		1,075,600
Purchases	623,800	
Motor expenses	4,300	
Repairs to machinery	3,600	
Sundry expenses	2,900	
Wages and salaries	241,500	

Directors' remuneration	82,600	
Retained profits as at 31.12.2022		32,200
share capital redemption reserves		<u>60,000</u>
	<u>1,737,300</u>	<u>1,737,300</u>

Additional information,

- i. Authorised share capital: shs 500,000 in ordinary shares of Shs 0.20.
- ii. Inventory at 31 December 2023 shs 102,400.
- iii. Motor expenses owing shs 280.
- iv. Transfer shs 7,500 to share capital redemption reserve.
- v. Ordinary dividend proposed of 5 per cent.
- vi. Corporation tax for the year Sh. 20,000
- vii. Provide for depreciation: motor vehicles and machinery 20% on book value; premises 5% on cost.

Required:

- a) Prepare in income statement for the year ending 31st December, 2023 **(12 Marks)**
- b) A statement of financial position as at that date. **(8 Marks)**

QUESTION FOUR

The following is the receipts and payment account for Hunnah Club for the year ended 31 December 2024.

Receipts		Payments	
	Ksh.		Ksh.
Balance b/d	200,000	Stationery	15,000
Member's subscriptions	882,000	Electricity	42,000
Donations	740,000	Salaries and wages	610,000
Bar sales	210,000	Rent	240,000
		Furniture	300,000
		Bar purchases	35,000
		Bar attendants wages	20,000
		Balance c/d	<u>670,000</u>
	<u>2,032,000</u>		<u>2,032,000</u>

Balances as at:

	1 January 2024	31 December 2024
	Ksh.	Ksh.
Prepaid subscriptions	45,000	30,000
Accrued subscription	60,000	90,000
Bar inventory	22,500	38,300
Rent	-	20,000
Furniture	130,000	400,000

For the year ended 31 December 2024, prepare:

- a) Subscriptions account; **(3 marks)**
- b) Bar trading account; **(3 marks)**
- c) Income and expenditure account for the year ended 31 December,2024 **(6 marks)**
- d) Statement of financial position as at 31 December,2024 **(8 marks)**

QUESTION FIVE

Smith and Alex are partners sharing profits and losses in the ratio 2:1 respectively. The following Trial Balance was extracted from their books on 31st December, 2024.

	Shs.	Shs.
Inventory on 1 st January, 2024	50,020	
Purchases and Sales	82,360	143,000
Returns Inwards and Outwards	3,060	1,600
Wages	25,750	
Discounts allowed and received	850	1,200
Insurance	1,750	
Heating and Lighting	3,840	
Salaries	7,240	
Carriage Outwards	2,710	
Trade Expenses	720	
Loan Interest	1,000	
Cash in Hand	550	
Cash at Bank	3,700	
Debtors and Creditors	22,480	19,550
Loan from Industrial Bank		20,000
Machinery 1 st January, 2024	30,000	
Machinery bought on 1 st January, 2024	5,000	
Land and Buildings	35,000	
Capitals: Smith		57,000
Alex		43,000
Current Accounts: Smith		4,000
Alex	1,000	
Drawings: Smith	8,320	
Alex	<u>4,000</u>	
	<u>289,350</u>	<u>289,350</u>

The following additional information is available:

- i. Inventory on 31st December, 2024 was valued at Shs.47,000
- ii. On 31st December, 2018 Shs.1,250 was owing for wages..
- iii. Allow 10% per annum depreciation on machinery.
- iv. Alex is entitled to an annual salary of Shs. 3,000
- v. Interest on capital as well as on drawings is 5% per annum

Show:

- a) Firm's Income statement for the year ended 31st December, 2024. **(12marks)**
- b) Firm's statement of financial position as at 31st December, 2024.. **(8 marks)**