TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of ACCOUNTING & Finance

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN ACCOUNTANCY II

BAC 2207: ADVANCED ACCOUNTING

END OF SEMESTER EXAMINATION

SERIES: APRIL, 2025

TIME: 2 HOURS

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) The following balances were extracted from the books of Mwabo Limited on 30 June 2023.

Cash (30 June 2023)	968,700
Cash paid to suppliers and employees	880,000
Cash received from accounts receivable	1,570,000
Interest paid	45,000
Sale on investments	160,500
Dividend paid	172,000
Interest received	12,500
Machinery purchased	200,000
Cash (1 July 2022)	416,000
Investment purchased	665,500
Issue of shares	1,200,000
Loan received	52,700
Dividend	125,500
Taxation paid	74,200

Required

Prepare a statement of cash flow for the year ended 30 June 2023. **(12 marks)**

(b) The following trial balance is extracted from the books of Wandia Ltd as on 31 December 2022. The following trial balance is extracted from the books of Wandia Ltd as on 31 December 2022.

Trial balance as on 31 December 2022

	Dr	Cr
	£	£
10% preference share capital		200,000
Ordinary share capital		700,000
Bank loan		300,000
Building at cost	1,305,000	
Equipment at cost	120,000	
Motor vehicles at cost	172,000	
Provision for depreciation: buildings 1.1.2022		100,000
Provision for depreciation: equipment 1.1.2022		24,000
Provision ford depreciation: motor vehicles 1.1.2022		51,600
Inventory 1.1.2022	84,912	
Sales		1,022,000
Purchases	439,100	
Carriage inwards	6,200	
Salaries and wages	192,400	
Directors' remuneration	123,000	
Motor expenses	3,120	
Business rates and insurances	8,690	
General expenses	5,600	
Loan interest	15,000	
Accounts receivable	186,100	
Accounts payable		113,700
Bank	8,390	
General reserve		50,000
Share premium account		100,000
Interim ordinary dividend paid	35,000	
Retained profits 31.12.2021		43,212
	2,704,512	2,704,512

The following adjustments are needed:

i. Inventory at 31.12.2022 was shs 91,413.
ii. Provide for depreciation: buildings 5% on cost, equipment 10 % on cost and motor vehicles 20% on book value.
iii. Accrued loan interest shs. 15,000.
iv. Provide for preference dividend and a final ordinary dividend of 10%.

v. Transfer sh. 10,000 to general reserves.
vi. Provide for corporation tax shs. 50,000.

Required:

(i) Income statement for the year ended 31 December 2022 **(9 marks)**

(ii) Statement of financial position as at 31 December 2022.. **(9 marks)**

QUESTION TWO

The following are the financial statements of Mambo Poa Ltd. for the two years ended 31 October 2022 and 2021.

Balance sheet:	2022	2021
Assets	shs. '000'	shs. '000'
Investments at cost	10,400	16,000
Land	8,800	12,000
Plant and machinery at cost	2,000	2,200
Buildings at cost	10,000	18,000
Stock	11,000	13,000
Debtors	8,000	10,000
Bank	200	-
	50,400	71,800
Liabilities and capital:		
Ordinary shares of sh. 20 each	8,000	1,000
Share premium	2,600	2,800
Revaluation reserve	-	4,000
Profit and loss account	9,000	5,000
10% debentures	16,000	30,000
Accumulated depreciation:		
Plant and machinery	800	1,000
Building	2,000	2,200
Creditors	8,000	12,000
Proposed dividend	4,000	4,000
Bank	-	800
	50,400	71,800
Profit and loss account:		
Sales	40,000	40,000
Cost of goods sold	(20,000)	(24,000)
Gross profit	20,000	16,000
Expenses (including interest)	12,000	12,000
Net profit	8,000	4,000
Dividends	4,000	4,000
Retained profit for the year	4,000	-
b/f	5,000	5,000

c/f	9,000	5,000

Required:
For each of the two years: Calculate the following ratios.

(i)	Gross profit percentage	(2 marks)
(ii)	Profit margin	(2 marks)
(iii)	Number of days of debtors	(2 marks)
(iv)	Return on capital employed	(2 marks)
(v)	Gearing Ratio	(2 marks)
(vi)	Debtors turnover	(2 marks)
(vii)	Creditors turnover	(2 marks)
(viii)	Current ratio	(2 marks)
(ix)	Acid test ratio	(2 marks)
(x)	Dividend cover	(2 marks)

QUESTION THREE
The following is Bank account of Swahili a sole trader who did not keep a full set of accounts for the year ended 31 December 2022.

Bank Account

	Ksh		Ksh
Balance b/f	71,000	General expenses	48,400
Accounts receivable	305,000	Repairs	12,000
Cash sales	92,000	Salaries and wages	42,000
		Electricity	18,500
		Furniture	50,000
		Accounts payable	54,000
		Rent	27,100
		Balance c/f	216,000
	468,000		468,000

Additional information

Balances as at	**1 January 2022**	**31 December 2022**
	Ksh	**Ksh**
Accounts payable	2,400	1,700
Furniture	330,000	292,000
Electricity accrued	3,000	1,500
Prepaid rent	16,000	4,000
Accounts receivable	25,000	30,000

Prepare:
a) An income statement for the year ended 31 December 2022. **(10 marks)**
b) A statement of financial position as at 31 December 2022. **(10 marks)**

QUESTION FOUR

The following was the trial balance of Lifi Traders for the year ended 31 December 2022.

	DR Ksh	CR Ksh
Gross profit		2,770,000
Inventory	75,000	
Bank	500,000	
Cash	40,500	
Plant and equipment	2,950,000	
Provision for depreciation of plant and equipment		520,000
Motor vehicle	1,200,000	
Provision for depreciation for furniture		82,500
Account receivables	248,000	
Account payables		348,000
2 year bank loan		400,000
Interest on loan	52,000	
Insurance	42,800	
General expenses	75,200	
Water and electricity	12,000	
Capital		1,400,000
	5,945,500	5,945,500

Additional information:

Water and electricity due on 31 December 2022 amounted to Ksh 4,800.

- General expenses paid in advance on 31 December 2022 amounted to Ksh 15,000.
- Depreciation is provided as follows:
  - Plant and equipment 7% per annum on cost;
  - Motor vehicle 25% per annum on book value;
  - Furniture 12% per annum on book value.

Prepare:

a) Income statement for the year ended 31 December 2022; **[10 marks]**

b) Statement of financial position as at 31 December 2022. **[10 marks]**

QUESTION FIVE

(a) Discuss Five sources of income for non-profit making organizations. (10 Marks)

(b) Explain the three categories of cash flows for the cash flow statement purposes (10 marks)