TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN ACCOUNTANCY 1

BAC 2180: FINANCIAL ACCOUNTING II

END OF SEMESTER EXAMINATION

SERIES: JULY, 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) The following are extracts from the financial statements of Kitaka Ltd. for:

	2023	2024
	Sh'000'	sh'000'
Turnover	2,176	2,345
Cost of sales	(1659)	(1731)
Gross profit	517	614
Current Assets:		
Inventory	43	78
Accounts receivable	379	431
Cash	205	145
Current liabilities:		
Loan and overdrafts	(32)	(81)
Corporate tax	(68)	(77)
Dividends	(12)	(17)
Accounts payable	(487)	(467)
	(599)	(642)

There was no opening Inventory in 2023.

(i) Calculate each of the following ratios for 2023 and 2024.

- Current ratio
- Quick ratio
- Debtors payment period in days
- Stock turnover period in days
- Creditor turnover period in days. **(12 Marks)**

(b) Mboyamak Ltd. manufactures farm implements. The following list of balances was extracted from the books of account of the company as at 31 December 2024:

		Sh
Inventory as at 1 January 2024:		
Raw materials		1,270,000
Work in progress		1,555,000
Finished goods		1,163,000
Purchase of raw materials		4,576,750
Carriage of raw materials		98,000
Direct labour		4,210,400
Office salaries		1,670,950
Rent		260,000
Electricity (office)		221,000
Depreciation expenses:	Machinery	510,000
	Equipment (office)	115,000
Sales		15,931,100
Electricity (factory)		406,000

Additional information:

1. Inventory as at 31 December 2024 was given as follows:

	Sh
raw materials	1,445,000
Work in progress	1,230,000
Finished goods	1,442,000

2. Rent is to be apportioned between factory and office in the ratio 3:1

Required:

i. Manufacturing account for the year ended 31 December 2024 **(8 Marks)**

ii. Income statement for the year ended 31 December 2024 **(10 Marks)**

Question Two

The following balances remained in the books of Amani Ltd. at 30 June 1989 after the preparation of the Trading Account.

	Shs.
Shares: Capital, authorised and issued	
24,000 Shs.20 Ordinary Shares	480,000
8,000 8% Shs.20 Preference Shares	160,000
Stocks at 30 June 2018	335,408
Accounts receivable and prepayments	108,800
Accounts payable and accruals	54,888
Bank balance	31,184
10% Debentures	64,000
General Reserve	112,000
Bad Debts	1,360
Gross profit for the period	326,032
Wages and Salaries	112,800
Rates and Insurance	5,640
Postage and telephone	2,480
Light and fuels	4,864
Debenture Interest	3,200
Directors fees	10,000
General expenses	12,432
Motor vehicles (cost Shs.116,400)	27,200
Office fittings and equipment (cost Shs.178,566)	109,760
Land and buildings at cost	528,800
Profit and Loss Account at 1 July 2017	97,008

The following additional information is provided:

(i) A bill for Shs.2,192 in respect of electricity up to 30 June 2018 has not been accrued.

(ii) The amount for insurance includes a premium of Shs.1,200 paid in March 1989 to cover the company for six months. April to September 2018

(iii) Office fittings and equipment are to be depreciated at 15% of cost and vehicles at 20% of cost.

(iv) Provisions are to be made for:
- Directors Shs.20,000
- Audit fee Shs.4,800

The outstanding debenture interest.

(v) The directors have recommended that:
- Shs.48,000 be transferred to General reserve
- The preference dividend be paid
- A 10% ordinary dividend be paid

Required:

Prepare the profit and loss and appropriation account for the period ended 30 June 2018 and a Balance Sheet as at that date **(20 Marks)**

Question Three

The following is the receipts and payments account for TUMSA club for the year ended 31 December 2024.

	Sh.		Sh.
Bal. b/d	343,800	Stationery	15,000
Member's subscription	38,2000	Electricity	42,000
Donations	1,740,000	Salaries & Wages	610,000
Bar Sales	210,000	Rent	240,000
		Furniture	300,000
		Bar purchase	36,000
		Bal. c/d	1,089,000
	2,332,000		**2,332,000**

Balance as at

	1 January 2024 Sh.	31 December 2024 Sh.
Prepaid subscription	-	30 000
Accrued subscription	60 100	10 000
Inventory at bar	22 500	38 300
Rent	-	20 000

Required:

(a) Bar Trading amount for the year ended 31st December 2024
(b) Income and expenditure allowed for the year ended 31/12/2024
(c) Statement of financial position as at 31 December 2024

(20 Marks)

Question Four

Frame and French are in partnership sharing profits and losses in the ratio 3:2. The following is their trial balance as at 30 September 2024.

	Dr Sh.	Cr Sh.
Buildings at cost	210,000	
Fixtures at cost	8,200	
Provision for depreciation: Fixtures		4,200
Buildings		50,000
Accounts receivable	61,400	
Accounts payable		26,590
Cash at bank	6,130	
Inventory at 30 September 2023	62,740	
Sales		363,111
Purchases	210,000	

Carriage outwards	3,410	
Discounts allowed	620	
Loan interest: P Prince	3,900	
Office expenses	4,760	
Salaries and wages	57,809	
Bad debts	1,632	
Allowance for doubtful debts		1,400
Loan from P Prince		65,000
Capitals: Frame		100,000
French		75,000
Current accounts: Frame		4,100
French		1,200
Drawings: Frame	31,800	
French	28,200	
	690,601	690,601

Required:

Prepare an income statement and profit and loss appropriation account for the year ending 30 September 2024, and a balance sheet as at that date.

a. Inventory, 30 September 2009, sh.74,210.
b. Expenses to be accrued: Office Expenses sh.215; Wages sh.720.
c. Depreciate fixtures 15 per cent on reducing basis, buildings sh.5,000.
d. Reduce provision for doubtful debts to sh.1,250.
e. Partnership salary: £30,000 to Frame. Not yet entered.
f. Interest on drawings: Frame sh.900; French sh.600.
g. Interest on capital account balances at 5 per cent.

QUESTION FIVE

The following information was extracted from the records of Raha Traders for the year ended 31 December 2024.

	Ksh
Cash received from debtors	900,000
Cash paid to suppliers	750,000
Interest paid	7,200
Interest received	18,600
Sale of investments	30,700
Purchase of machinery	200,000
Investment purchased	120,000
Additional capital	300,000
Taxation paid	25,300
Loan repayment	19,200
Cash balance 1 January 2024	145,000

31 December 2024	272,600

Required:
Prepare statement of cash flow for the year ended 31 December 2024, using the direct method.
(20 Marks)