TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATION FOR DIPLOMA IN ACCOUNTANCY

BAC 2180: FINANCIAL ACCOUNTING II
END OF SEMESTER EXAMINATION
SPECIAL/SUPPLEMENTARY EXAM
SERIES: NOVERMBER 2024
TIME: 2 HOURS

INSTRUCTION: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS.

QUESTION 1

a) The statement of financial position of Amani, a sole trader for two successful years are shown below:

Statement of financial position as at 31st December

	20x5	20x6
Non- current assets:	Sh000	Sh000
Land and premises(cost sh. 160 million)	140,000	138,000
Plant and equipment		
20x5-(cost sh. 24 million)	22,000	
20x6-(cost sh. 30 million)	-	26,000
	162,000	164,000
Current assets:		
Inventory	9,000	7,000
Accounts receivable	18,000	13,000
Bank	-	8,000
Total assets	189,000	192,000
Current liabilities:		

Accounts payable	21,000		14,000	
Bank overdraft	17,000	(38,000)	-	(14,000)
		151,000		178,000
Non-current liabilities:				
Loans (repayable December(20x8)		-		(25,000)
Net assets		151,000		153,000
Capital account				
Balance at 1st January		137,000		151,000
Add Net profit for the year		42,000		26,000
		179,000		177,000
Less drawings		(28,000)		(24,000)
		151,000		153,000

Required:

Prepare a statement of cash flow for the year ending 31st December 20x6 using the IAS layout (20 marks)

b) The financial year of Bahari Trading Company ended on 31st December 20x4 . The following information has been obtained from the books of original entry.

		Sh 000
Sales	- cash	344,890
	-credit	268,187
Purchases	-cash	14,440
	-credit	496,600
Total receipts from customers		600,570
Total payments to suppliers		503,970
Discounts allowed (all to credit customers)		5520
Discounts received(all from credit suppliers)		3,510
Refunds given to cash customers		5,070
Balance in the sales ledger set off against balance in the purchases ledger		70
Bad debts written off		780
Increase in the allowance for doubtful debts		90
Credit notes issued to credit customers		4,140
Credit notes received from credit suppliers		1,480

According to the audited financial statements for the previous year accounts receivable and accounts payable as at 1st January 20x4 were sh. 26,555,000 and sh. 43,450,000 respectively.

Required:

Prepare sales ledger control account and purchases ledger control account for December 20x4. (10 marks)

QUESTION 2

Wambua is a manufacturer. His trial balance at 31st December 20x7 is as follows:

	Dr	Cr
	Sh000	Sh000
Motor van expenses	1,760	
Lighting and heating: factory	7220	
0ffice	1,490	
Manufacturing wages	72,100	
General expenses : factory	8,100	
Office	1,940	
Salesmen commission	11,688	
Purchase of raw materials	57,210	
Rent: factory	6,100	
Office	2,700	
Machinery(cost sh. 40 million)	28,600	
Office equipment (cost sh. 9 million)	8,200	
Office salaries	17,740	
Accounts receivable	34,200	
Accounts payable		9400
Bank	16,142	
Sales		194,800
Motor van (cost sh.6.8 million)	6,200	
Inventory at 31st December 20x6:		
Raw materials	13,260	
Finished goods	41,300	
Drawings	24,200	
Capital		155,950
	360,150	360,150

Additional information:

1. Inventory at 31 December 20x7 : raw materials sh.14,510,000;finished goods sh. 44,490,000. There is no work in progress.
2. Depreciation on machinery sh. 3,000,000; office equipment sh. 600,000 and motor van sh. 1,200,000.
3. Manufacturing wages due but unpaid at 31 December 20x7 sh. 550,000; office rent prepaid sh. 140,000.

Require:

Prepare (a) the manufacturing account and income statement for the year ending 31st December 20x7 (12 marks)

(b) Statement of financial position as at the date. (8 marks)

QUESTION 3

Bondeni Ltd has an authorize share capital of sh. 1,000,000 divided into sh. 20,000 ordinary shares of sh. 50 each. The whole of the shares were issued at par, payments being made as follows:

	Sh
Payable on application	5.00
Payable on allotment	15.00
First call	20.00
Second call	10.00

Applications were received for 32,600 shares. It was decided to refund application monies on 2,600 shares and to allot the shares on the basis of two for every three applied for. The excess application monies sent by the successful applicants is not to be refunded but is to be held and so reduce the amount payable on allotment.

The calls were made and paid in full with the exception of one member holding 100 shares who paid neither the first nor the second call and another member who did not pay the second call on 20 shares. After requisite action by the directors the shares were forfeited. They were later reissued to Balala Musa at a price of sh. 40 per share

Required:

Prepare the ledger accounts to record the above transactions. (20marks)

QUESTION 4

R and B are in partnership as lecturers and tutors. Interest is to be allowed on capital and on the opening balances on the current accounts at a rate of 5% per annum and R is to be given a salary of sh18,000,000 per annum. Interest is to be charged on drawings at 5% per annum (see notes below) and the profits and losses are to be shared R 60% and B 40%. The following trial balance was extracted from the books of the partnership at 31 December 20x8:

	Shs '000	*Shs '000*
Capital account- B		50,000
Capital account - R		75,000
Current account - B		4,000
Current account - R		5,000
Drawings - R	17,000	
Drawings - B	20,000	
Sales - goods and services		541,750
Purchases of textbooks for distribution	291,830	
Returns inwards and outwards	800	330
Carriage inwards	3,150	
Staff salaries	141,150	
Rent	2,500	
Insurance - general	1,000	
Insurance - public indemnity	1,500	
Compensation paid due to Benson error	10,000	
General expenses	9,500	
Bad debts written-off	1,150	
Fixtures and fittings - cost	74,000	
Fixtures and fittings - depreciation		12,000
Accounts receivable and accounts payable	137,500	23,400
Cash	400	
Total	711,480	711,480

Additional information:

i) An allowance for doubtful debts is to be created of sh1,500,000.
ii) Insurances paid in advance at 31 December 20x7 were General sh50,000; Professional Indemnity sh100,000.
iii) Fixtures and fittings are to be depreciated at 10% on cost.
iv) Interest on drawings: B sh550,000, R sh1,050,000.
v) Inventory of books at 31 December 2018 was £1,500.

Required:

Prepare;

a) A statement of profit or loss together with an appropriation account at 31 December 20x8 and (12 marks)
b) A statement of financial position as at that date. (8 marks)

(Total = 20 marks)

QUESTION 5

The following is the summary of the receipts and payments of the Kisii Social Club during the year ending 31 July 20x6.

Kisii Social Club

Receipts and payments account for the year ending 31 July 20x6.

	Sh. 000		*Sh.00*
Cash and bank balances c/d 210		Secretarial expenses	*0*
		Rent	163
Sales competitions tickets	437	Visiting speakers expenses	1,402
Members subscriptions'	1,987	Donations to Charities	1,275
Donations 177		Prizes for competitions	35
		Stationary and printing	270
Refund of rent 500			179
			3,324
Balance c/d	13		
	Shs.3,324		

The following valuations are also available :

	31 July 20x5	31 July 20x6
	Sh 000	*Sh 000*
Equipment (original cost shs. 1,420,000)	975	780
Subscriptions in arrears	65	85
Subscriptions in advance	10	37
Owing to suppliers for competition prizes	58	68
Inventory for completion prizes	38	46

Required:

(a) Calculate the value of accumulated fund of the Kisii Social Club as at 1 August 20x5. (5 marks)

(b) Reconstruct the following accounts for the year ended 31 July 20x6.

i) The subscriptions account (3 marks)

ii) The competitions prizes account (3 marks)

(c) Prepare an income expenditure account for the Kisii Social club for the year ending 31 July 20x6 and the statement of financial position as at 31 July 20x6 at that date. (9 marks)

(Total = 20 marks)