



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
MAIN EXAM AUGUST 2024
TIME: 2 HOURS

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

QUESTION 1

The financial year end of Majengo Manufacturing Enterprises is 30th June . At 30th June 2024, the following balances are available

	Sh. 000
Freehold land and buildings at cost	143,000
Plant and Machinery at cost	105,000
Accumulated depreciation on plant and machinery	23,000
Purchase of raw materials	130,100
Sales	317,500
Factory rates	3,000
Factory heat and light	6,500
Accounts receivable	37,200
Accounts payable	30,900
Wages (including sh. 15.7 million for supervision)	63,000
Royalty fee	9,100
Selling expenses	11,000

Office salaries and general expenses	43,000
Bank	24,500
General reserve	30,000
Retained profits	18,000
Inventory at 1 July 2023: Raw materials	20,000
Finished goods	38,000
Dividends paid: Preference shares	840
Ordinary shares	20,000

Additional information:

- I. The inventory at 30th June 2024 was
 - Raw materials sh. 22 million
 - finished goods sh. 35.6 million
- ii Salaries include sh. 6.7 million for director's fee
- iii Depreciation is to be charged at 10% on cost of plant and machinery.

Required :

Prepare a manufacturing account and income statement for the year ending 30 June 2024. (20marks)

(b) Prepare a sales ledger control account from the following information: (10marks)

2024		sh.000
May 1	Sales ledger- debit balances	3,816
	Sales ledger-credit balances	22
31	Transactions for the month:	
	Cash received	104
	Cheques received	6,239
	Sales	7,090
	Bad debts written off	306
	Discounts allowed	298
	Return inwards	664
	Cash refunded to a customer who has overpaid his account	37
	Dishonored cheques	29

Interest charged on overdue debt	50
At the end of the month:	
Sales ledger- debit balances	3,429
Sales ledger –credit balances	40

Question 2.

The following are the statement of financial position of Omollo as at 31 December 20x1 and 31 December 20x2

	31.12.20x1 Sh. 000	31.12.20x2 Sh.000
Non-current assets:		
Premises at cost	25,000	28,800
Current assets:		
Inventory	12,500	12,850
Accounts receivable	21,650	23,140
Cash and bank balances	<u>4,300</u>	<u>5,620</u>
Total assets	63,450	70,410
Current liabilities:		
Accounts payable	<u>(11,350)</u>	<u>(11,120)</u>
Net assets	<u>52,100</u>	<u>59,290</u>
Capital:		
Opening balances b/d	52,660	52,100
Add net profit for year	<u>16,550</u>	<u>25,440</u>
	69,210	77,540
Less drawings	<u>(17,110)</u>	<u>(18,250)</u>
	<u>52,100</u>	<u>59,290</u>

Required:

Prepare a statement of cash flow for the year ending 31st December 20x2 (20marks)

Question 3.

Explain the following terms in reference to share capital

- i. Authorized share capital (1mark)

- | | | |
|------|-------------------------|----------|
| ii. | Issued share capital | (1mark) |
| iii. | Called-up share capital | (1mark) |
| iv. | Calls in arrears | (1 mark) |
| v. | Paid-up capital | (1mark) |

Mawenzi co. Ltd has a nominal capital of sh. 12 million divided into 120,000 ordinary share of sh. 100 each. The whole of the capital was issued at par on the following terms

	Per share
Payable on application	Sh. 12.50
Payable on allocation	Sh. 25.00
First call	Sh.25.00
Second call	Sh. 37.50

Applications were received for sh.160,000 shares and it was decided to allot the shares on the basis of three for every four which applications had been made. The balance of application monies were applied to the allotment no cash being refunded. The balance of allotment monies were paid by the members.

The calls were made and paid in full by the members, with the exception of a member who failed to pay the first and second calls on the 800 shares allotted to him. A resolution was passed by the directors to forfeit the shares. The forfeited shares were later issued to Ali at sh. 90 each.

Required:

- Show the ledger accounts recording all the above transactions (10marks)
- Relevant extracts from a balance sheet after all the transactions have been completed (5 marks)

Question 4

Mutua and Kamau are in partnership sharing profits and losses in the ratio 3:2. The following is their trial balance as at 30 September 20x6:

	<i>Dr</i>	<i>Cr</i>
	<i>Shs</i>	
	<i>'000</i>	<i>Shs '000</i>
Buildings (cost sh210,000,000)	160,000	
Fixtures at cost	8,200	
Provision for depreciation: Fixtures		4,200
Accounts receivable	61,400	
Accounts payable		26,590
Cash at bank	6,130	
Inventory at 30 September 20x5	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: Mutua		100,000
Kamau		75,000
Current accounts: Mutua		4,100
Kamau		1,200
Drawings: Mutua	31,800	
Kamau	<u>28,200</u>	
	<u>640,601</u>	<u>640,601</u>

Additional information:

- i) Inventory, 30 September 20x6, sh74,210,000.
- ii) Expenses to be accrued: Office Expenses sh215,000; Wages sh720,000.
- iii) Depreciate fixtures 15 per cent on reducing balance basis, buildings sh5,000,000.
- iv) Reduce provision for doubtful debts to sh1,250,000.
- v) Partnership salary: sh30,000,000 to Mutua. Not yet entered.

vi) Interest on drawings: Mutua sh900,000; Kamau sh600,000.

vii) Interest on capital account balances at 5 per cent.

Required:

Prepare;

a) A statement of profit or loss and profit and loss appropriation account for the year ending 30 September 20x6, and (12 marks)

b) A statement of financial position as at that date. (8 marks)

(Total = 20 marks)

QUESTION 5

On 1 January 20x5, Mombasa Sports club had the following assets.

Sh.000

Cash at bank

200

Snacks bar inventory	800
Club house buildings	12,500

During the year to 31 December 20x5 the Club received and paid the following amounts

<i>Receipts</i>	<i>Sh000</i>	<i>Payments</i>	<i>Sh000</i>
Subscriptions 20x5	3,500	Rent and rates	1,500
Subscriptions 20x6	380	Extension to club house	8,000
Snack bar income	6,000	Snack bar purchase	3,750
Visitors' fees	650	Secretarial expenses	240
Loan from bank	5,500	Interest on loan	260
Competition fees	820	Snack bar expenses	600
		Games equipment	2,000

Notes: The snack bar snack bar inventory on 31 December 20x5 was sh. 900,000.

The game equipment should be depreciated by 20%.

Required:

- (a) Prepare an income and expenditure account for the year ending 31 December 20x5.
Show, either in this account or separately, the snack bar profit or loss. (10 marks)
- (b) Prepare the statement of financial position as at 31 December 20x5. (10 marks)

(Total = 20 marks)