TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of Accounting & Finance

UNIVERSITY EXAMINATION FOR:

BACHELOR OF MATHS AND PHYSICS

BAC 4250: FINANCIAL ACCOUNTING 2

SUPPLEMENTARY EXAMINATION

SERIES:JULY 2025

TIME:2HOURS

DATE: Pick DateJul2025

Instructions to Candidates
You should have the following for this examination
-Answer Booklet, examination pass and student ID
This paper consists of **FIVE** questions. Attemptquestion ONE (Compulsory) and any other TWO questions.
Do not write on the question paper.

Question ONE

Frame and French are in partnership sharing profits and losses in the ratio 3/5 : 2/5, respectively.

The following is their trial balance as at 30 September 2019.

	Dr kshs	Cr kshs
Buildings (cost kshs210,000)	160,000	
Fixtures at cost	8,200	
Provision for depreciation: Fixtures		4,200
Debtors	61,400	
Creditors		26,590
Cash at bank	6,130	
Stock at 30 September 2018	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	
Provision for doubtful debts		1,400
Loan from P Prince		65,000
Capitals: Frame French		100,000 75,000
Current accounts: Frame French		4,100 1,200
Drawings: Frame French	31,800 28,200	
	640,601	**640,601**

Additional information:

(a) Stock, 30 June 2019, kshs74,210.
(b) Expenses to be accrued: Office Expenses kshs215; Wages kshs720.
(c) Depreciate fixtures 15 per cent on reducing balance basis, buildings kshs5,000.
(d) Reduce provision for doubtful debts to kshs1,250.
(e) Partnership salary: kshs30,000 to Frame. Not yet entered.
(f) Interest on drawings: Frame kshs900; French kshs600.
(g) Interest on capital account balances at 5 per cent.

Required:

a) Prepare a trading and profit and loss appropriation account for the year ended 30 June 2019, (10 marks)
b) The partners current accounts (10 marks)
c) Balance Sheet as at that date. (10 marks)

(Total: 30 Marks)

Question TWO

(a) State and briefly explain any two distinguishing features between
(i) A receipts and payments account and
(ii) An income and expenditure account. (6 marks)

(b) The accountant of Nairobi Country Club has extracted the following information from the books of account for the year ended 31 March 2021:

Receipts	Kshs.	Payments	Kshs.
Balance b/d	288,000	Salaries and wages	254,000
Subscriptions:		New equipment	565,000
Year 2019/2020	249,000	Receipts and maintenance	124,000
2020/2021	2,050,000	Office expenses	415,000
2021/2022	194,000	Printing and stationery	168,000
Dinner dance	723,000	Purchases of beverages	497,000
Beverage sales	657,000	Dinner dance expenses	315,000
Investment income	400,000	Refund of subscriptions	45,000
		Sports prizes	25,000
		Transport	248,000
		Investments	1,500,000
		Balance c/d	405,000
	4,561,000		**4,561,000**

Balances as at	**31 March 2020**	**31 March 2021**
	Shs.	Shs.
Furniture and fittings (net)	240,000	
Equipment (net)	690,000	
Investment at cost	3,500,000	
Subscriptions in arrears	300,000	375,000
Salaries accrued	68,000	72,000
Stock of beverages	162,000	184,000
Subscriptions in advance	85,000	

Additional information:

1. Subscription; in arrears are written-off after twelve months.
2, Depreciation is provided for on reducing balance method at 10% and 20% per annum on furniture and fittings and equipment respectively.
3, Investments which had cost Sh.500,000 were sold on 30 March 2021 for Sh.625,OOO. No entries have been made in the books in this respect.

REQUIRED:

(a) Income and expenditure account for the year ended 31 March 2021. (8 Marks)

(b) Balance sheet as at 31 March 2021. (6 Marks)

(20 marks)

Question THREE

Pwani Oil are manufacturers. At the end of their accounting year, 30 April 2020, the following information was available:

Stocks, 1 May 2019	Kshs.
Raw materials	17,500
Finished goods	24,800
Work in progress	15,270

Wages and salaries	
Factory direct	138,500
Factory indirect	27,200
Purchases of raw materials	95,600
Power and fuel (indirect)	18,260
Sales	410,400
Insurance	3,680
Returns inwards (finished goods)	5,200
Stocks, 30 April 2020	
Raw materials	13,200
Finished goods	14,600
Work in progress	15,700

Additional information:

- The company's machinery cost kshs.82,000 and the provision for depreciation 1 May 2019 was kshs.27,000. Machinery is to be depreciated by 20% per annum using the reducing balance method.
- Fuel and power kshs.390 is in arrears at 30 April 2020; at the same date insurance kshs240 is prepaid.
- Insurance is to be allocated: 5/8 factory; 3/8 administration.

REQUIRED:

(a) A manufacturing account for the year ended 30 April 2020, showing clearly:

(i) cost of raw materials consumed (4 marks)
(ii) prime cost (4 Marks)
(iii) total cost of production. (4Marks)

b) A trading account for the year ended 30 April 2020 showing clearly

i. Cost of sales of finished goods (4 Marks)
ii. Gross profit (4 Marks)

(20 marks)

Question FOUR

a) State the main features distinguishing the final accounts of a of a limited liability company form a partnership. (6 marks)

b) The trial balance extracted from the books of Mgeni Ltd at 31 December, 2018 was as follows:

	Kshs.	**Kshs.**
Share capital		100,000
Profit and loss account 31 December 2017		34,280
Freehold premises at cost	65,000	
Machinery at cost	55,000	
Provision for depreciation on machinery as at 31 December 2017.		15,800

Purchases	201,698	
Sales		316,810
Wages and salaries	54,207	
Rent	4,300	
Lighting expenses	1,549	
Bad debts	748	
Provision for doubtful debts as at 31 December 2017		861
Debtors	21,784	
Creditors		17,493
Stock in trade 31 December 2017	25,689	
Bank balance	23,101	
	485,244	**485,244**

You are given the following additional information:

(i). The authorized and issued share capital is divided into 100,000 shares of shs.1 each.
(ii). Stock in trade at 31 December 2018, shs.29, 142.
(iii). Wages and salaries due at 31 December 2018 amounted to shs.581
(iv). Rent paid in advance at 31 December 2018 amounted to shs.300.
(v). A dividend of shs.10, 000 is proposed for 2018.
(vi). The provision for doubtful debts is to be increased to shs.938.
(vii). A depreciation charge is to be made on machinery at the rate of 10 per cent per annum on cost.

Required:

(i). The Trading Profit and Loss Account for the year ended 31 December 2018. **(8 Marks)**
(ii). A balance sheet as at that date. **(6 Marks)**

(Total: 20 Marks)

Question FIVE

a) Ratio analysis is an important tool for analyzing and evaluating financial statements. State and describe three major classifications of accounting ratios and name users of ratios in each classification. (9 marks)

b) Explain the relevance of the following in the preparation of financial statements:
   i. Materiality (3 marks)
   ii. Substance over form (4 marks)
   iii. Prudence (4 marks)

(Total : 20 marks)