

## **TECHNICAL UNIVERSITY OF MOMBASA**

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN BACHELOR OF BUSINESS ADMINISTRATION II BACHELOR OF COMMERCE II

**BAC 4202 BAC 4227: INTERMEDIATE ACCOUNTING II** 

END OF SEMESTER EXAMINATIONS
SERIES: AUGUST 2013
TIME: 2 HOURS

### **INSTRUCTIONS:**

Answer Question ONE (Compulsory) and any other TWO questions.
 This paper consists of Three printed pages

#### **QUESTION 1 (Compulsory)**

a) Rhe following information was extracted from the books of Mfangano manufacturing enterprises fot the year ending 31 December 2012.

Inventory, 1 January 2012:	Sh. '000'
Raw materials	2,990
Work-in-progress	3,900
Finished goods	15,300
Inventory, 31 December 2012:	
Raw materials	4,200
Work-in progress	3,600
Finished goods	17,700
Purchases of raw materials	15,630
Carriage on raw materials	126

Direct wages	48,648
Factory general expenses	7,048
Office salaries	22,200
Depreciation of office furniture	420
Carriage outwards	191
Advertising	1,472
Bad debts	200
Sales less returns	112,410
Discount received	188
Depreciation of factoey equipment	4,200
Rent and rates (factory <sup>3</sup> / <sub>4</sub> , office <sup>1</sup> / <sub>4</sub> )	2,000

## Required

Prepare manufacturing account and trading account section of the Income statement for the Year ending 31 December 2012. You show clearly:

i)	Cost of the raw materials consumed	(5marks)
ii)	Prime cost of production.	(2marks)
iii)	Production cost of finished goods	(3marks)
iv)	Gross profit on sales	(5marks)

b) The balance sheets of Buluma, a sale trader for two successive years are shown below:

# Balance Enterprises Balance sheets as at 31 December

	2005		2006	
	Sh000	sh 000	sh 000	sh 000
Non-current assts: Land and premises		44.000		40.000
(cost sh52,000,000) Plant and machinery		44,000		40,000
(cost sh19,000,000) (cost sh 25,000,000)		14,250		
, , ,		58,250		59,600
<b>Current Assets:</b>				
Inventory	6,600		6,000	
Accounts receivable Bank	17,800		12,600	
Balik	-	24,400	7,100	26,000
Total Assets Current liabilities:		82,650		<u>85,600</u>
Accounts payable	22,000		<u>11,600</u>	
Bank overdraft	13,650		22,202	
	35,650		_11,600	
Non – current liabilities: Loan	-	-	20,000	

Total liabilities	(35,650)	(31,600)
Net assets	47,000	<u>54,000</u>
Capital account:		
Balance at 1Jan	42,000	47,000
Add Net profit for the year	<u>18,000</u>	<u>22,000</u>
	60,000	69,000
Less drawings	(13.000)	(15,000)
-	47,000	54,000

## Required.

Prepare a cashflow statement for the year ending 31 December 2006. (15marks)

## **QUESTION 2**

Senge and Omide are trading in partnership, sharing profits and losses equally. Their partnership deed provides the following.

- i) Interest at 5% per annum is allowed or charged on both the capital amount and the current account balance, at the beginning of the year.
- ii) The partners are entitled to annual salaries of: Senge sh 1,200,00 and Omido Sh800,000.

The following trial balance uses extracted for the business as at 31 December 2011:

	DR	CR
	Sh 000	sh000
Capital accounts: Senge		10,000
Omido		5,000
Current accounts:Senge		200
Omido	60	
Cash drawings : Senge	1,500	
Omido	1,000	
Freehold premises at cost	5,000	
Inventory at 1 January 2011	7,500	
Fixtures and fittings at cost	1,500	
Purchases and purchases returns	38,000	1,200
Bank	3,160	
Sales and sales returns	600	50,800
Accounts receivable and accounts payable	e 5,240	3,330
Carriage inwards	2,150	
Carriage outwards	300	
Staff salaries	4,200	
VAT		870
Office expenses	750	
Allowance for doubtful debts		200
Advertising	500	
Discounts received		100
Discouts allowed	120	
Bad debts	140	
Rent and rates	280	

# Accumilated provision for Depreciation of fixtures & fittings

72,000

<u>300</u> <u>72,000</u>

#### At 31 December 2011:

- a) Inventory was valued at sh.6,800,00.
- b) Purchase invoices amouting to sh 300,000 for goods included in the inventory valuation at (a) above had not been recorded.
- c) Staff salaries owing sh. 90,000.
- d) Rate, paid in advance sh.20,000
- e) Allowance for doubtful debts to be increased to sh 240,000.
- f) Goods withdrawn by partners for private use had not been recorded and were valued at : Senge sh500,000; Omido sh 63,000. No interest is to be charged on these amounts.
- g) Provision is to be made for depreciation of fixtures and fittings at 10% on cost.
- h) Interest on drawings for the year is to be charged: Senge sh 36,00; Omido sh 28,000.

### Required

Prepare (i) Income statement and profit and loss appropriation account for the year ending 31

December 2011 and (12marks)

(iii) the balance sheets as at that date.

(8marks)