# 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:
Raw materials
Work-in-progress
Finished goods
Inventory, 31 December 2012:
Raw materials
Work-in progress
Finished goods4,200

Purchases of raw materials
15,630
Carriage on raw materials

Sh. ' 000 '
2,990
3,900
15,300
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 $3 / 4$, office $1 / 4$ ) ..... 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
ii) Prime cost of production.
iii) Production cost of finished goods
iv) Gross profit on sales
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 <br> Sh000 |
| :--- | ---: | :--- | :---: |
| sh 000 | sh 000 | sh 000 |  |
| Non-current assts: |  |  |  |
| (cost sh5 premises <br> Plant and machinery <br> (cost sh19,000,000) | 44,000 | 40,000 |  |
| (cost sh 25,000,000) | 14,250 | $\mathbf{5 9 , 6 0 0}$ |  |

## Current Assets:

Inventory
6,600
6,000
Accounts receivable $\quad 17,800$
12,600
Bank
Total Assets
7,100
$\underline{24,400}$
26,000
$\underline{82,650} \quad \underline{85,600}$
Current liabilities:
Accounts payable
Bank overdraft
22,000
11,600
$\underline{13,650}$
35,650
_11,600
Non - current liabilities:
Loan - - 20,000

Total liabilities
$(31,600)$
Net assets

## Capital account:

Balance at 1Jan
42,000
47,000
Add Net profit for the year
18,000
22,000
60,000
69,000
Less drawings
(13.000)
$(15,000)$ $\underline{47,000}$

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
$\begin{array}{lrr} & \text { Omido } & 60 \\ \text { Cash drawings } & \text { : Senge } & 1,500\end{array}$
Omido $\quad 1,000$
Freehold premises at cost 5,000
Inventory at 1 January $2011 \quad 7,500$
Fixtures and fittings at cost 1,500
$\begin{array}{ll}\text { Purchases and purchases returns } \quad 38,000 & 1,200\end{array}$
Bank 3,160
Sales and sales returns $\quad 600 \quad 50,800$
$\begin{array}{lll}\text { Accounts receivable and accounts payable } & 5,240 & 3,330\end{array}$
Carriage inwards $\quad 2,150$
Carriage outwards 300
Staff salaries 4,200
VAT
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 <br> Depreciation of fixtures \& fittings

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
(iii) the balance sheets as at that date.

