



TECHNICAL UNIVERSITY OF MOMBASA

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF COMMERCE

BAC 4102: INTRODUCTION TO 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 Six printed pages

QUESTION 1 (Compulsory)

Bibi Baker owns and manages a small manufacturing business. The following balance have been extracted from her books of amount at 31st January 2009.

Trial Balance	Dr Shs.	CR Shs.
Capital at 1 February 2009		171,120
Account payable		86,000
Bank and cash balance	54 00	
Account receivable	92,000	
Drawings	60,000	
Administration expenses	150,360	
Advertising expenses	12,000	
Factory direct wage	60,000	
Factory power	36,000	
Factory indirect wage	24,000	

Furniture and fittings(alloffices)	18,400	
Heat and light	16 000	
Plant and equipment	276,800	
Motorvehicle((usal by salesman)	144,000	
Plnt hire	4000	
Provision for bal debt		3200
Provision for depreciation		
- Furniture fittings		9200
- Plant and equipment		138,400
- Motor vehicles		24,000
Raw material purchases	228,000	
Rent rates	20,000	
Selling& distribution expenses	66,400	
Sales		829,440
Inventories at cost on 1 st February 2009		
- Raw materials	8000	
- Work in progress	16000	
- Finished goods	<u>24,000</u>	
	<u>1261,360</u>	12,61,360

Additional information

- i) Accruals at 31st January 2010 were;
 - Factory power sh.1600
 - Rent and rate sh.4000
- ii) Prepayment of sh.800 for salesman's motor vehicle insurance.
- iii) Inventories at 31st January 2010 were values as follows:
 - Raw materials sh.15,200
 - Work in progress sh30,400
 - Finished goods sh45,600
- iv) Depreciation is to be charged on plant and equipment motor vehicle, furniture & fittings at rate of 20%,25% and 10% per annum respectively on cost.
- v) Expenditure on heat and light and rent is to be apportioneil between the factory and office in the ratio 9 to I any 3 to 2 respectively.
- vi) The provision for bad debt is to be made equal to 5% of accounts receivable at 31st January 2010.

Required: A using vertical method, prepare manufacturing, trainigand profit and loss account for the year ended 31st January 2010.

(B) Balance sheet as at that date. (20marks)

© What are limitations Ratio analysis. (10marks)

QUESTION 2

The following is the receipt and payment account of the friendship club for the year ended 31st December 2010.

	SHS		SHS
Balance at bank 31 st Dec 2008	102	Bar purchases	4434
Entrance fees	42	wages	416

Subscriptions:2008	25	Rent	186
2009	305	Heat elight	128
2010	35	postgraduate stationing	33
Bar sale	5227	insurance	18
Sale of investment	750	General expenses	46
		Purchase of furniture	450
		Balance at bank 31 st	
		December 2010	<u>775</u>
	<u>6486</u>		<u>6486</u>

The following information is also supplied

- | | | | |
|----|-----------------------------|--------------------------------|----------------------|
| i) | | 31 st December 2008 | 31 st Dec |
| | 2009 | | |
| | Bar stock at cost | 272 | 315 |
| | Creditors for bar purchases | 306 | 358 |
| | Rent due | 18 | 36 |
| | Heaking light expenses due | 16 | 19 |
| | Subscription due | 25 | 40 |
| | Insurance paid in advance | 5 | 7 |
- ii) On 31st December 2008 the club held investments which costs sh.500. During the year ended 31st December 2009, these were sold for sh.750.
- iii) Furniture was valued at sh.300 on December 2008. On June 2009 the club purchased additional furniture at a cost of sh.520. Depreciation of all furniture is to be provided for at the rate of 10% p.a.
- Required
- Prepare an income and expenditure account year annual 31st December 2009.
 - Balance sheet at that date. (20marks)

QUESTION 3

The accountant (unqualified) of Wilsonltd the had prepared the following trail balance as at 31st December 2007.

	Sh(000)
50p ordinary share (fully paid)	350
7% 1sh preference share (fully paid)	100
10% debentures (secered)	200
Retained profit 1.1 .2007	242
General reserve 1.1.2007	171
Freehour lamu any buildings 1.1.2007 (cost)	430
Plnat any machinery 1.1.2007 (cost)	830
Provisionfor deprecitiation:	
Freewill buying 1.1.2007	20
Plant and making 1.1.2007	222
Stock 1.1.2007	190
Sales	2695
Purchases	2152
Preference dividend	7

Ordinary dividend(interim)	8
Debenture interest	10
Wages & salary	254
Light and heat	31
Sundry expenses	113
Suspense account	135
Debtors	179
Creditors	195
Cash	126

Note

- a) Sundry expenses income ksh 9000 paid in respect of insurance for the year ending 1st September 2008. Light and heat does not include an invoice of sh.3000 for electricity for the three months ending 2nd January 2008, which was paid in February 2008. Light and heat incurring sh.20,000 relating to salesmen's commission
- b) The suspense account is in respect of the following item:

	Sh. 000
Proceed from the issue of 100,000 Ordinary shares	120
Proceed from the sale of plant	<u>300</u>
	420
Less consideration for the acquisition of Mary	<u>285</u>
	<u>135</u>

- c) The net asset of Mary and Co were purchased on 3rd March 2007. Assets were valued as follows:

	Sh'000'
Investment	230
Stock	<u>34</u>
	<u>264</u>

All the stock acquired was sold during 2007. The investment were still held by Wilson at 31.12.2007.

- d) The freehold property was acquired some years ago. The buildings element of the cost was estimated at sh100,000 and the estimated useful life of the assets was fifty years at the time of purchase. As at 31st Dec 2007 the property was revalued at ksh 800. As at 31 December 2007 the property is to be revalued at sh.800,000.
- e) The plant which was solved have cost sh.350,000 and have a net book value of sh.274,000 on plant and machinery for 2007. sh.36,000 depreciation is to be charged on plant and machinery for 2007.
- f) The debentures have been in issue for some years. The 50p ordinary shares all rank for dividends at the end of year.
- g) The directors wish to provide for:
 - i) Debenture interest due
 - ii) A final ordinary dividend of 2p per share, proposal on 31^{December} 2007.
 - iii) A transfer to general reserve of sh.16,000.
 - iv) Audit fees of Ksh 4000.
- h) Stock as at 31 December 2007 was valued at shs 220,000(cost)
- i) Taxation is to be ignored.

Required

Prepare i) income statement for year ended 31st December 2007.

iii) Statement of financial position. (20marks)

QUESTION 4

The following financial statement were extracted from the books of info design ltd.
Trading profit and loss account for the year ended 30th June 2010.

	Shs'000'	sh'000'
Sale: cash	500	
Credit	1800	2300
Less: C.O.S		
Opening stock	210	
Purchases (all on credit)	1200	
Less closing stock	(220)	1110
<u>Less expenses</u>	(750)	
Less corporation tax	(70)	
Less proposed dividends	(100)	(920)
Net profit		190
Ad/c balance b/f		<u>50</u>
		240

Balance sheet as at 30th June.

	2010 Sh.'000'	2009 sh.'000'
Non-current assets	500	540
<u>C.A</u>		
Stock	220	30
Debtors	100	80
Repaid insurance	12	15
Cash	25	140
Bank	<u>60</u>	<u>105</u>
Less C.L	417	270
Creditors	(30)	(60)
Taxation	(70)	(50)
Dividence	(100)	(70)
Bank overdrafts	-	(70)
Net current asset	217	100
TOTAL ASET	<u>717</u>	<u>540</u>
FINANCIAL BY:		
Ordinary share	417	300
Profit class A/c	240	200
10% debentures	<u>60</u>	<u>40</u>
	717	440

Required: Calculate the following ratios for the year ended 30th June 2010

- I) Current Ratio
- II) Quick Ratio (3marks)
- III) Gross profit margin (4marks)
- IV) Stock turnover (3marks)
- V) Net profit margin (3marks)
- VI) Creditor turnover (4marks)

QUESTION 5

Bush Home and Wilson share profit and losses in the ratio 4:1:3 respectively. The trail balancing as at 30 April 2004 was as follows.

	Dr t	Cr t
Sales		334,618
Returns inwards	10,200	
Purchase	196,239	
Carriage inwards	3100	
Stock 30 April 2013	68,127	
Discount allowed	190	
Salary & wage	54,117	
Bad debt	1 620	
Provision for doubtful debt at 30 April 2013: computers		3600
Office equipment		2900
creditors		36480
Debtors	51320	
Cash at bank	5214	
Drawings : Bush	39,000	
Home	16,000	
Wilson	28,000	
Current account: Bush		5940
Home	2117	
Wilson		9618
Capital account: Bush		60,000
Home		16,00
Wilson		<u>30,000</u>
	<u>494106</u>	<u>494106</u>

Additional information.

- j) Stock 30th April 2004 was £ 74223
- k) Business rate in advance £200 stock of postage stamps 68
- l) Increase in provision for doubtful debt 1400.
- m) Salry: Home £18000 liason 14000. Not yet recorded.

- n) Interest on drawings Bush £ 300, Home £200, Wilson 24.
- o) Interest on capitals at 8%
- p) Depreciate computers: £ 2800, office equipment 1000.

Required.

- i) Trading profit and loss Appropriation account
- ii) Statement of financial position.

(20marks)