

MOMBASA POLYTECHNIC UNIVERSITY COLLEGE
DIPLOMA IN INFORMATION TECNOLOGY – DICT10M

BBA 2120-FINANCIAL ACCOUNTING

EXAM

Time 2 Hours

Instruction

Instructions: Answer Question One (Compulsory) and any other two questions.

1. a) you are provided with the following trial balance of samma enterprises after its first year of trading. You are required to draw up a trading, profit and loss account and a Balance sheet for the year ended 30 June 2011

	DR	CR	
sales		28794	
purchases	23803		
Rent	854		
heating & lighting expenses	588		
salaries and wages	3164		
insurance	105		
buildings	50000		
debtors	1000		
sundry expenses	506		
creditors		1206	
cash at bank	3847		
drawings	2400		
vans	5500		
motor running expenses	1133		
capital		62900	
	92900	92900	

(10 marks)

- b) Briefly explain five source documents used to capture an entity's first transactions (5 marks)
- c) Distinguish between the following principles of accounting (10 marks)
- i. Cash basis vs accrual basis of accounting

- ii. Revenue recognition vs matching principles
- iii. Consistency vs conservatism
- iv. Entity principle vs cost principle
- v. Stable dollar assumption vs time period assumption

d) Briefly explain benefits of using computerized accounting systems (5 marks)

Q2

a) The following information relates to XYZ traders for the month of June 2011. you are required to draft a 3 column cash book(10 marks)

31st June cash sh 29000
 bank sh 654000
 debtors:ben sh 120000
 Nixon 280000
 david sh 40000
 creditors:Albert sh 440000
 Uny sh 60000
 Robert sh 100000

2nd June Ben paid for his account by cheque after deducting 2.5% cash discount

8th June paid Robert by cheque after deducting 5% discount

11th June withdrew sh 100000 from bank for business use

16th June Nixon paid by cheque after deducting 2% discount

25th June paid wages by cash sh 92000

28th June david paid in cash after deducting 5% cash discount

30th June paid Albert by cheque after deducting 2.5% discount

b) The following trial balance was prepared by an inexperienced book keeper. Prepare a corrected trial balance(5 marks)

Sawale traders

Trial Balance as at 31st December 2011

	dr	cr
	shs'000'	shs'000'
capital	500.00	
buildings		640.00
loan	300.00	
creditors	20.00	
debtors		210.00
salaries	70.00	
stationery		24.00
discount allowed		5.00
discount received	15.00	
stock		800.00
purchases	700.00	
sales		800.00
rent paid	32.00	
furniture	125.00	

Garden wizards provide gardening services to both commercial and residential customers. An adjusted trial balance dated December 31, 2005 follows

GARDEN WIZARDS
ADJUSTED TRIAL BALANCE
DECEMBER 31, 2005

	DEBITS	CREDITS	
cash	27800		
accounts receivable	4300		
prepaid insurance	8700		
prepaid rent	3200		
supplies	1400		
trucks	140000		
accumulated depreciation:trucks		75000	
equipment	28000		
accumulated depreciation:equipment		14000	
creditors		2200	
salaries payable		900	
income taxes payable		1700	
capital stock		18000	
retained earnings		21000	
dividends	3300		
service revenue earned		194000	
insurance expense	1800		
rent expense	28000		
supplies expense	5600		
salary expense	72000		
depreciation expense:trucks	16000		
depreciation expense:equipment	4000		
fuel expense	2200		
miscellaneous expense	2700		
repair & maintenance expense	5300		
interest expense	3800		
income taxes expense	9000		
unearned service revenue		2000	
interest payable		300	
notes payable		38000	
	367100	367100	

Required:

- An income statement for the year ended December 31, 2005 (9 marks)
- A balance sheet as at that date (6 marks)

Q4

Explain the following terminologies used in non-profit oriented organization

- Excess of expenditure over income

- b) Statement of affairs
- c) Accumulated funds
- d) Surplus of income over expenditure (4marks)

The following are balances of mpuc investment club assets as at 1st January 2010

Cash at bank	200
Snack bar inventory	800
Club house buildings	12500

During the year the club received and paid the following amounts:

RECEIPTS		PAYMENTS				
subscriptions 2008	3500	rent and rates	1200			
subscriptions 2009	380	extension to club house	9000			
snack bar income	6000	snack bar purchases	3720			
visitors fee	650	secretarial purchases	240			
loan from bank	4500	interest on loan	260			
competition fees	800	snack bar expenses	600			
		games equipment	1200			

Additional information:

- a) The snack bar inventory on 31st dec 2010 was 800
- b) The games equipment should be depreciated by 20%

Required:

- a) Prepare an income and expenditure account for the year ending 31st December 2010, showing the snack bar profit or loss (7 marks)
- b) Prepare a balance sheet as at 31st December 2010 (4 marks)

Q5.

Given below are financial statements of wakimwa enterprises. Study them carefully and calculate the ratios below for analysis purposes

INCOME STATEMENT

	SHS'000'	
Sales	1,220.00	
less: cost of goods sold	<u>900.00</u>	
gross profit	320.00	
less: administration expenses	100.00	
other expenses	<u>105.00</u>	
operating profit	115.00	
interest expense	<u>24.00</u>	
profit before tax	91.00	
income tax expense	<u>27.00</u>	
profit after tax	64.00	
proposed dividends	<u>24.00</u>	
retained net profit	<u>40.00</u>	

STATEMENT OF FINANCIAL POSITION

	Sh '000'	sh'000'
Non - current Assets		
Property, plant and equipment	3600	
Motor vehicles	13000	16600
Current assets		
Stock	225	
Debtors	280	
Cash	15	520
		17120
Equity		
Ordinary share capital (sh 5 par)	4000	
P&I reserve	12048	16048
Non current liabilities		
8% convertible bonds		200
Current liabilities		
Creditors	440	

Tax	49	
Bank overdraft		359
Proposed dividends	24	872
		17120

- i. Gross profit margin
- ii. Return on equity
- iii. Earnings per share
- iv. Current ratio
- v. Acid test ratio

(10 marks)

b) Identify five limitations of using ratios in analysis of company's performance
(5 marks)