



# THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

(A Constituent College of Jkuat)

## *Faculty of Engineering and Technology*

### DEPARTMENT OF COMPUTER SCIENCE & INFORMATION TECHNOLOGY

DIPLOMA IN INFORMATION COMMUNICATION TECHNOLOGY –  
DICT2K 11M DICT 2K 10J  
DIPLOMA IN INFORMATION TECHNOLOGY –  
DIT 11M & DIT2K 11M  
YR I SEM I

**BBA 2120: FINANCIAL ACCOUNTING**

**END OF SEMESTER EXAMINATIONS**

**SERIES: AUGUST/SEPTEMBER 2011**

**TIME: 2 HOURS**

#### **Instructions to Candidates:**

This paper consist of **TWO** sections **A** and **B**

Answer question **ONE (COMPULSORY)** and any other **TWO** questions from the list of questions below

This paper consists of **SIX** printed pages

## **SECTION A COMPULSORY (30 MARKS)**

### **Question 1**

- a) You are provided with the following trial balance of Manna 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<sup>th</sup> June 2010 (15 marks)

	<b>DR</b>	<b>CR</b>
Sales		28,794.00
Purchases	13,803.00	
Rent	854.00	
Lighting and Heating expenses	422.00	
Salaries and Wages	6,330.00	
Insurance	105.00	
Buildings	50,000.00	
Debtors	1,000.00	
Sundry Expenses	506.00	
Creditors		1,206.00
Cash at Bank	3,847.00	
Drawings	2,400.00	
Vans	5,500.00	
Motor Running Expenses	1,133.00	
Capital		55,900.00
	<b><u>92,734.00</u></b>	<b><u>95,900.00</u></b>

- a) List **FIVE** source documents (Books of Original Entry) which are used to capture an entity's first transactions (5 marks)
- b) Identify and briefly explain in each situation the accounting concept to be applied in the following situations below (10 marks)
- (i) The company had a poor trading year and the owners believe that a more balanced result could be presented if a reducing balance method was adopted instead of the straight line method of depreciating assets.
  - (ii) At the end of the financial year an amount is outstanding in respect of rent for certain premises of the company
  - (iii) The Chief Executive Officer wishes the Company's good public relations to be reflected in the accounts.
  - (iv) The company has some assets acquired on hire purchase, as at year end not all installments have been settled.

## **SECTION B (ANSWER ANY TWO QUESTIONS)**

*This section consists of **FOUR** questions  
Choose any two questions*

### **Question 2**

From the trial balance of M&A Enterprises prepare an income statement for the year ending 30<sup>th</sup> September 2009 and balance sheet as at that date (20 marks)

	<b>DR</b>	<b>CR</b>
Inventory: 1 October 2008	41,600.00	
Carriage outwards	2,100.00	
Carriage inwards		3,700.00
Return inwards	1540	
Return outwards		3,410.00
Purchases	18,8430.00	
Sales		3,80400
Salaries & Wages	61,400.00	
Warehouse Rent	3,700.00	
Insurance	1,356.00	
Motor Expenses	1,910.00	
Office Expenses	412.00	
Lighting & Heating Expenses	894.00	
General Expense	245.00	
Premises	92,000.00	
Motor Vehicles	13,400.00	
Fixtures & Fittings	1,900.00	
Accounts Receivable	42,560.00	
Accounts Payable		31,600.00
Cash at bank	5,106.00	
Drawings	22,000.00	
Capital		<u>68,843.00</u>
	<u><b>484,253.00</b></u>	<u><b>484,253.00</b></u>

*Additional Information*

- i) Closing stock: Inventory as at 30<sup>th</sup> September 2009 was 44,780

**Question 3**

- a) Briefly explain **THREE** benefits of using computerized accounting systems (6 marks)
- b) Classify the following between Capital or Expenditure (4 marks)
- i) Carriage costs on purchases
  - ii) Fire insurance premium
  - iii) Legal charges on acquiring new premises for office
  - iv) Cost of erecting new machine

c)

		DR				CR
June 2010				June 2010		
1	Balance b/d	1,410.00		5	M Kwale	180.00
7	K Otieno	62.00		1	M Rimberia	519.00
				2		
16	F Kandie	75.00		1	K Kamau	41.00
				6		
28	S Mugu	224.00		2	B Kilonzo	22.00
				9		
30	C Abasa	<u>582.00</u>		3	Balance c/d	<u>1,591.0</u>
				0		<u>0</u>
		<u>2,353.00</u>				<u>2,353.0</u>
						<u>0</u>

The bank columns in the cash book for June 2010 and the bank statement for that month for M Martins are as follows:

June 2010	DR	CR	BALANCE
1 balance b/d			1,410.00
7 cheque		62.00	1,472.00
8 E Indeku	180.00		1,292.00
16 Cheque		75.00	1,362.00
17 F Kinyua	519.00		848.00
18 R Onyango	41.00		807.00
29 Cheque		224.00	1,031.00
30 S & L: Standing Order	52.00		979.00
30 Manna Traders		64.00	1,043.00
30 Bank Charges	43.00		1,000.00

### Required

- (i) Write the Cash Book up to date
- (ii) Draw up a bank reconciliation statement as at 30<sup>th</sup> June 2010 (10 marks)

### Question 4

- a) Explain the following terminologies used in Non-profit oriented organization (4 marks)
  - (i) Excess of expenditure over income
  - (ii) Statement of affairs
  - (iii) Accumulated funds
  - (iv) Surplus of income over expenditure

The following are balances of Soyo Club assets as at 1 January 2009:

Cash at bank 20.00

Snack bar Inventory	800.00
Club house buildings	12,500.00

During the year to 31 December 2009 the club received and paid the following amounts:

<i>Receipts</i>		<i>Payments</i>	
Subscriptions 2008	3,500.00	Rent and Rates	1,500.00
Subscriptions 2009	380.00	Extension to club house	8,000.00
Snack bar income	6,000.00	Snack bar purchases	3,750.00
Visitor's fee	650.00	Secretarial expenses	240.00
Loan from Bank	5,500.00	Interest on Loan	260.00
Competition Fees	820.00	Snack bar expenses	600.00
		Games equipment	2,000.00

Notes:

- (i) The snack bar inventory on 31 December 2009 was 900
- (ii) The games equipment should be depreciated by 20%

### Required

- a) Prepare an income and expenditure account for the year ending 31<sup>st</sup> December 2009  
Show, either in this account or separately, the snack bar profit or loss (8 marks)
- b) Prepare a balance sheet as at 31<sup>st</sup> December 2009 (8 marks)

### Question 5

- a) Identify **FOUR** limitations of using ratios in analysis of company's performance (8 marks)
- b) Given below are financial statements of Pwani Advance Company. Study them carefully and calculate the ratios below for analysis purposes for both financial years (16 marks)

### INCOME STATEMENT

	<b>2010</b>		<b>2009</b>	
	<b>Shs' 000</b>		<b>Shs' 000</b>	
Sales		1,200.00		1,000.00
Less: Cost of goods sold		900.00		760.00
Gross Profit		320.00		240.00
Less: Admin Expenses	100.00		74.00	
Other expenses (includes interest)	105.00	205.00	90.00	164.00
Operating profit		115.00		76.00
Interest charge		24.00		
Profit before tax		91.00		76.00
Income tax expense		27.00		22.00
Profit after tax		640.00		54.00
Proposed dividends		24.00		20.00
Retained/Net Profit		<u>40.00</u>		<u>34.00</u>

### STATEMENT OF FINANCIAL POSITION

	2010 shs'000	2009 shs '000
<u>Non-current assets</u>		
Property plant and equipment	3,600.00	3,900.00
Motor vehicles	<u>13,000.00</u>	<u>12,000.00</u>
	16,600.00	15,900.00
<u>Current Assets</u>		
Stock	225.00	120.00
Debtors	280.00	125.00
Cash	<u>15.00</u>	<u>65.00</u>
	<u>520.00</u>	<u>310.00</u>
	<b><u>17,120.00</u></b>	<b><u>16,210.00</u></b>
<u>Equity</u>		
Ordinary Share Capital (Shs 5 par)	4,000.00	4,000.00
P & L Reserve	<u>12,048.00</u>	<u>12,008.00</u>
	<u>16,048.00</u>	<u>16,008.00</u>
<u>Non-Current Liabilities</u>		
8% Convertible Bonds	200.00	
<u>Current liabilities</u>		
Creditors	440.00	160.00
Tax	49.00	22.00
Bank Overdraft	359.00	
Proposed Dividends	<u>24.00</u>	<u>20.00</u>
	872.00	202.00
	<b><u>17,120.00</u></b>	<b><u>16,210.00</u></b>
(i)	Gross profit margin	
(ii)	Return on capital employed	
(iii)	Return on equity	
(iv)	Earnings per share	
(v)	Current ratio	
(vi)	Acid test ratio	
(vii)	Gearing ratio	
(viii)	Interest cover	