



UNIVERSITY EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE

BCOM 112: PRINCIPLES OF ACCOUNTING II

STREAMS: BCOM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 06/12/2017

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

- (a) The following trial balance was extracted from the books of Maara manufacturers lid on 31stDec 2014.

	Dr. (shs)	Cr (shs)
Stock at January 2014		
Raw materials	459,000	
Work in progress	578,000	
Finished goods	516,800	
Plant and machinery	1,500,000	
Office furniture and equipment	470,000	
Sales of finished goods		7,735,000
Purchase of raw materials	1,870,000	
Factory wages	1,275,000	
Supervisory salaries	170,000	
Factory insurance	61,200	
Factory electricity & power	51,000	
Plant repairs and maintenance	136,000	
Adverting	33,000	
Factory rates	57,600	
Office salaries & wages	680,000	
Office electricity & water	142,000	
Telephone, faxes and emails	28,500	
Postage & stationery	28,500	
Debtors	444,000	
Creditors		323,000
Cash at bank	181,000	
Capital		661,200
Bank charges & interests	21,500	
Bad debts w/off	<u>16,100</u>	
	<u>8,719,200</u>	<u>8,719,200</u>

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Additional information:

- (i) Stocks as at 31st Dec 2014
Raw materials sh.510,000
WIP 680,000
Finished goods 425,000
- (ii) Depreciation is to be charged as follows
Plant and machinery 25%
Furniture and equipment 12.5%

Required:

- (i) The manufacturing, trading profit and loss account for the year ended 31stDec 2014. [15 marks]
 - (ii) A balance sheet as at 31st Dec 2014. [8 marks]
- (b) Explain the contents of a partnership deed. [7 marks]

QUESTION TWO

- (a) Emily is a sole trader in a business known as Emily Traders. He keeps his petty cash on imprest system amount being sh. 20,000. The following are the petty cash transactions for the month of March 2014.

		Sh.
1 st	Petty cash in hand	20,000
2 nd	Paid wages	1989
3 rd	Cost of email	1358
13 th	Paid wages	2920
15	Bought foolscap paper	1545
19	Paid wages	2970
21	Bought postage stamps	1210
24	Paid wages	2998
26	Bought pens	1176
27	Bought envelopes	970

Required:

Write a petty cash book to record above transactions with columns for wages, postage and stationery on imprest system. [10 marks]

- (b) The following is the cashbook of X ltd for the month of March 2016.

Balb/f	28140	Payments	310400
Receipts	<u>301460</u>	Bal c/d	<u>19200</u>
	<u>329600</u>		<u>329600</u>

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On scrutiny of the bank statement you find that

- (i) The bank statement shows an overdraft balance of sh 2480.
- (ii) Bank charges of 700 shown on the bank statement have not been entered in the cash book
- (iii) A cheque drawn of sh. 940 has been entered as a receipt
- (iv) A cheque for sh. 360 has been returned by the bank as dishonored.
- (v) The opening balances should have been carried down as 29400
- (vi) Cheques paid to suppliers of sh. 4280, 7400 and sh. 600 have not yet been presented to the bank
- (vii) The last paid in cheques of sh. 30840 have not been credited by the bank
- (viii) The bank has debited a cheque of sh. 1440 by mistake to the company's account

Required:

- (i) Prepare updated cashbook for the month of March 2016. [6 marks]
- (ii) Bank reconciliation statement [4 marks]

QUESTION THREE

- (a) Differentiate a receipt and payment account from an income and expenditure account (four differences) [8 marks]
- (b) Explain how Cashflows are classified in Cashflow statements giving relevant examples. [6 marks]
- (c) Explain the accounting issues of non-profit making organizations that differentiate them from profit making organizations. [6 marks]

QUESTION FOUR

- (a) The following trial balance was extracted from the books of brick and stone for the year ended 30th Sep 2014

	Dr.	Cr.
Sales		322100
Printing & stationery	3500	
Stock (1 st Oct 2013)	23000	
Purchases	208200	
Rent & rates	10300	
Heat & lighting	8700	
Staff salaries	36100	

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Telephone charges	2900	
Motor vehicle running expenses	5620	
Discount allowed	950	
Discount received		370
Sales returns	2100	
Purchases returns		6100
Carriage inwards	1700	
Carriage outwards	2400	
Fixtures & fittings at cost	26000	
Provision for depreciation		2500
Provision for doubtful debts		300
Drawings brick	24000	
Stone	11000	
Current accounts brick		3600
Stone		2400
Debtors	9300	
Creditors		8400
Balance at bank	7700	
Capital accounts brick		33000
Stone		<u>17000</u>
	<u>429470</u>	<u>429470</u>

Additional information:

- (i) Interest on capital is provided at 10% of partner's capital account balances.
- (ii) The partners share profit in the ratios 3:2 for brick and stone respectively
- (iii) Interest on drawings is to be charged at 5%
- (iv) Brick is entitled to an annual salary of sh. 1000
- (v) Closing stock is valued at sh. 10,000

Required:

- (a) Income statement (including appropriation account) [10 marks]
 - (b) Partners current accounts. [4 marks]
 - (c) Balance sheet as at 30th Sep 2014 [6 marks]
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