



Scott Christian UNIVERSITY

SCHOOL OF PROFESSIONAL STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

UNIT CODE/NAME: BBA 110: FINANCIAL ACCOUNTING II

September- December 2019/2020 End Semester Exam

- Time: 2 Hours

Instructions: Answer Question ONE (Compulsory) and any other TWO Questions.

QUESTION ONE

- a) Explain the accounting treatment of the following with reference to partnerships.
- i. Interest on capital (2 marks)
 - ii. Interest on drawings (2 marks)
 - iii. Partners salaries (2 marks)
- b) By giving an example for each, distinguish capital reserves from revenue reserves and applied in company accounts (3 marks)
- c) Explain the following concepts:
- i. Shares issued at par (1 mark)
 - ii. Shares issued at a premium (1 mark)
 - iii. Shares issued at a discount (1 mark)
- d) Malili mini traders does not keep complete records. The following details apply to the items of equipment for the year 2018.

	Shs.
New purchases	45,000
Sale of equipment (book value sh. 1,000)	1,500
Depreciation for the year	6,000
Valuation of equipment as at 31 st Dec 2018	44,500

- Required:** Show the clubs equipment account for the year. (3 marks)
- e) Briefly explain the following with reference to non-profit making organizations:
- i. Accumulated funds (2 marks)
 - ii. Income and expenditure account (2 marks)
 - iii. Receipts and payment account (2 marks)
- f) The following balances were extracted from the books of Kwitu Manufacturers, a small-scale manufacturing enterprise located in Machakos County as at 31st Dec. 2013.

	Sh. '000'
Inventory as at Jan 2013:	
Raw materials	7,000
Work in progress	5,000
Finished goods	6,900
Purchase of raw materials	38,000
Direct labor	28,000

Factory overheads	25,000
Administrative expenses:	
Rent and rates	19,000
Lighting	6,000
Stationery and postage	2,000
Staff salaries	19,380
Sales	192,000
Plant and machinery at cost	30,000
Provision for depr.	12,000
Motor vehicle (for sales deliveries) at cost	16,000
Provision for depreciation	4,000
Accounts payable	5,500
Accounts receivable	28,000
Drawings	11,500
Bank	16,600
Capital as at Jan. 2013	48,000
Provision for unrealized profit as at Jan 2013	1,380
Motor vehicle running costs	4,500

Additional information:

1. Inventory as at 31st Dec. 2013 were as follows: raw materials sh. 9,000; W-I-P sh. 8,000 and finished goods sh. 10,350.
2. Annual depreciation is provided as follows: plant and machinery_ 10% on cost, motor vehicles 25% _on cost.

Required:

- a) Manufacturing, trading and profit and loss account for the year ended 31st Dec 2013. (5 marks)
- b) Statement of financial position as at 31st Dec 2013. (4marks)

QUESTION TWO

A summary of Friendship Football Club is shown below for the year ended 31st December 2018

A summary of cash book

Balance b/d	8,000	Purchase of equipment	44,000
Collection at matches	65,700	Rent of football pitch	12,500
		Printing of stationery	1,700
		Secretary's expenses	4,000
		Repairs to equipment	1,600
		Workers wages	1,500
		Miscellaneous expenses	1,000
		Bal c/d	<u>11,800</u>
	<u>78,100</u>		<u>78,100</u>

Additional information

- 1) At the beginning of the period, equipment was valued at sh.75,000
- 2) Depreciate all equipment by 20% for the year 2018.
- 3) At end of period, rent prepaid was sh 2,500 while sh. 300 was owing for printing.

Required:

- a) Income and expenditure account for the year ended 31st Dec. 2018 (8 marks)
- b) Balance sheet at as year-end. (7 marks)

QUESTION THREE

- a) Explain FOUR main uses of ratios (4 marks)
- b) The following accounts relate to Vinya enterprises, a young expanding enterprise located in Machakos county for the years 2012 and 2013

Profit statement for the year ended 30 th June	2012	2013
	Sh.	Sh.
Sales	3,000,000	4,800,000
Less cost of sales	1,650,000	2,700,000
Gross profit	1,350,000	2,100,000
Less trading expenses	675,000	1,275,000
Less debenture interest	37,500	37,500
NET PROFIT BEFORE TAX	675,000	825,000
Less corporation tax	240,000	480,000
Net profit after taxation	397,500	757,500
Less ordinary share dividends	187,500	262,500
Undistributed profit for the year	210,000	495,000

Balance sheet

Balance sheet as at 30 TH June	2012	2013
	Sh.	Sh.
Fixed assets at cost	1,500,000	2,100,000
Less depreciation	(300,000)	(375,000)
	1,200,000	1,725,000
<u>Current assets</u>		
inventory	600,000	825,000
Accounts receivable	495,000	525,000
Less current liabilities	(645,000)	(1,140,000)
	<u>1,650,000</u>	<u>1,935,000</u>
<u>Financed by</u>		
Ordinary share capital (authorized and issued)	750,000	750,000
Undistributed profits	525,000	1,020,000
10%debenture	<u>375,000</u>	<u>165,000</u>
	<u>1,650,000</u>	<u>1,935,000</u>

Required: Compute the following ratios for each year.

- i. Current ratio (2 marks)
- ii. Quick ratio (2 marks)
- iii. Return on assets (2 marks)
- iv. Return on capital employed (2 marks)
- v. Return on shareholder's equity (3 marks)

QUESTION FOUR

Kirwa and Maina are in partnership sharing profits and losses equally. The following was their trial balance as at 31/6/2010.

	Dr	Cr
<u>Capital Accounts</u>		
Kirwa		350,000
Maina		295,000
<u>Current Account</u>		
Kirwa		13,060
Maina		2,980
Drawings:		
Kirwa	64,000	
Maina	56,500	
Building at cost	650,000	
Fixture at cost	110,000	
provisions for depr. (fixtures)		33,000
Debtors	162,430	
Creditors		261,500
Cash at bank	6,770	
Sales		1,236,500
Stock 30/6/2009	419,790	
Purchases	854,160	
Carriage outwards	12,880	
Discount allowed	1,150	
Loan Interest: Bank	40,000	
Office expenses	24,160	
Salaries and wages	189,170	
Bad debts	5,030	
Loan from bank		400,000
Provision for bad debts		4,000
	<u>2,596,040</u>	<u>2,596,040</u>

Additional Information:

1. Stock as at 31/6/2010 shs. 650,000
2. Expenses to be incurred- Office expense- shs. 800, Wages- shs. 1,500.
3. Depreciate fixtures at 10% reducing balance basis, building shs, 12,000.
4. Reduce provision for bad debts to shs. 3,200
5. Partnership salary: Kirwa 1,500
6. Interest on drawings- Kirwa shs. 1,500, Maina shs. 1,100.
7. Interest on capital account balance at 10%

Required:

- a) Prepare the partners Income Statement (8 Marks)
- b) Statement of Financial Position as at 31st December 2010. (7 Marks)

QUESTION FIVE

Tamutamu Ltd presents the following balance sheets for the years ended 31st December

	2013		2012	
	Sh."000"	Sh."000"	Sh."000"	Sh."000"
<u>Non-current assets</u>				
Land		90,000		40,000
Buildings		200,000		200,000
Accumulated depreciation- building		(36,000)		(30,000)
Equipment		290,000		142,000
Accumulated dep. Equipment		(43,000)		(40,000)
Investments (long term)		<u>-</u>		<u>45,000</u>
		501,000		357,000
<u>current assets</u>				
Inventory	172,000		180,000	
Debtors	74,000		65,000	
Prepaid expenses	4,000		3,000	
Cash and bank	<u>49,000</u>		<u>26,000</u>	
	299,000		274,000	
<u>Current liabilities</u>				
Creditors	50,000		32,000	
corporation tax	2,500		4,000	
Dividends proposed	<u>15,000</u>		<u>8,000</u>	
	67,500	<u>231,500</u>	44,000	<u>230,000</u>
		<u>732,500</u>		<u>587,000</u>
Financed by:				
Ordinary share capital		280,000		230,000
Preference share capital		150,000		
Share premium		10,000		
Retained earnings		172,500		112,000
Bonds payable		<u>120,000</u>		<u>245,000</u>
		<u>732,500</u>		<u>587,000</u>

The following additional information is provided:

1. he profit from operations for the year is 90,500,000
2. Depreciation for the year is given as: equipment -12 million, buildings- 6 million.
3. Some items of equipment worth 9 million have been fully depreciated. The company bought new equipment for cash ksh.157,000,000.
4. The book value of the new investment was ksh. 45 million but were sold for cash sh. 75 million.
5. Ordinary stock dividends provided for in the profit and loss account amounted to sh. 30 million.
6. Ordinary stock issued at par for land sh. 50 million
7. 10% preference share issued for cash sh 160 million entitled to full year dividends.
8. Bond payable retired for cash sh.125 million.

Required: Cash flow statement in accordance to IAS 7

(15 Marks)