SCHOOL OF PROFESSIONAL STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

UNIT CODE/NAME: BBA 110: FINANCIAL ACCOUNTING II

January – April 2018/2019 End Semester Exam - Time: 2 Hours

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

QUESTION ONE

a) Hobbs does not keep proper books of account. You ascertain that his bank payments and receipts during the year to 31 December 19X8 were as follows:

Receipts	£	Payments	£
Balance 1 Jan 19X8	572	Purchases	10,007
Cheques for sales	13,179	Expenses	2,950
Cash banked	14,005	Drawings	11,250
Balance 31 Dec 19X8	3,751	Delivery van	7,300
	31,507		31,507

From a cash notebook you ascertain:

	£
Cash in hand 1 January 19X8	62
Cash takings	16,300
Purchases paid in cash	1,850
Expenses paid in cash	375
Cash in hand 31 December 19X8	65
Drawings by proprietor in cash	Unknown

You discover that assets and liabilities were as follows:

	1 Jan 19X8	31 Dec 19X8
	£	£
Debtors	1,850	2,070
Trade creditors	1,250	1,420
Stock on hand	2,650	2,990

Depreciation on the van is to be provided at the rate of 20% per annum.

Required

i) Prepare Statement of Affairs as at 1 January 19x8 **(3 marks)**

ii) Trading and Profit and Loss Account for the year ending 31 December 19X8 **(6 marks)**

iii) Hobbs Statement of financial position as at 31 December **(6 marks)**

b) The following is the receipts and payments account of the Friendship Club for the year ended 31 December 19X1:

	£		£
Balance at bank 31 December 19X0	102	Bar purchases	4,434
Entrance fees	42	Wages	416
Subscriptions: 19X0	25	Rent	186
19X1	305	Heating and lighting	128
19X2	35	Postage and stationery	33
Bar Sales	5,227	Insurance	18
Sale of investments	750	General expenses	46
		Payments on account of new furniture	450
		Balance at bank, 31 December 19X1	775
	6,486		6,486

The following information is also supplied:

1)

	31 December 19X0	31 December 19X1
Bar stock, at cost	272	315
Creditors for bar purchases	306	358
Rent due	18	36
Heating and lighting expenses due	16	19
Subscriptions due	25	40
Insurance paid in advance	5	7

2) On 31 December 19X0, the club held investments which cost £500. During the year ended 31 December 19X1, these were sold for £750.

3) Furniture was valued at £300 on 31 December 19X0. On June 19X1, the club purchased additional furniture at a cost of £520. Depreciation of all furniture is to be provided for at the rate of 10% per annum.

Required:

(a) Prepare an income and expenditure account for the year ended 31 December 19X1.**(8 Marks)**

(b) Prepare a balance sheet at that date. **(7 Marks)**

QUESTION TWO

B spikes Trial Balance as on 31 December 2002

	Dr	Cr
Stock of raw materials 1.1.2002	21,000	
Stock of finished goods 1.1.2002	38,900	
Work in progress 1.1.2002	13,500	
Wages(direct £180,000: factory indirect£145,000)	325,000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost £280,000)	230,000	
Accounting machinery (cost £20,000)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Sales representatives' salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1000,000
Debtors and creditors	142,300	125,000
Bank	56,800	
Cash	1,500	
Drawings	20,000	
Capital as at 1.1.2002		29,680
	1,421,800	1,421,800

Notes at 31.12.2002

1. Stock of raw materials £24,000, stock of finished goods £40,000, work in progress £15,000.
2. Lighting, and rent and insurance are to be apportioned: factory 5/6ths, administration 1/6th.
3. Depreciation on productive and accounting machinery at 10 per cent per annum on cost.

Required:

i) Prepare a manufacturing, Trading Profit and Loss Account for the year ended 31 December 2002. **(9 Marks)**

ii) Prepare statement of financial position as at 31st December **(6 Marks)**

QUESTION THREE

The following list of balances as at 30 September 19X9 has been extracted from the books of Brick and Stone, trading partnership, sharing the balance of profits and losses in the proportions 3:2 respectively.

£

Printing, stationery and postage		3,500	
Sales		322,100	
Stock in hand at 1 October 19X8		23,000	
Purchases		208,200	
Rent and rates		10,300	
Staff salaries		36,100	
Telephone charges		2,900	
Motor vehicle running costs		5,620	
Discounts allowable		950	
Discount receivable		370	
Sales returns		2,100	
Purchases returns		6,100	
Carriage inwards		1,700	
Carriage outwards		2,400	
Fixtures and fittings: at cost		26,000	
Provision for depreciation		11,200	
Motor vehicles: at cost		46,000	
Provision for depreciation		25,000	
Provision for doubtful debts		300	
Drawings:	Brick	24,000	
	Stone	11,000	
Current account balances			
At 1 October 19X8:			
	Brick	3,600	credit
	Stone	2,400	credit
Capital account balances			
At 1 October 19X8:			
	Brick		33,000
	Stone		17,000
Debtors			9,300
Creditors			8,400
Balance at bank			7,700

Additional information

1. £10,000 is to be transferred from Brick's capital account to a newly opened Brick Loan Account on 1 July 19X9.
2. Interest at 10 per cent per annum on the loan is to be credited to Brick.
3. Stone is to be credited with a salary at the rate of £12,000 per annum from 1 April 19X9.
4. Stock in hand at 30 September 19X9 has been valued at cost at £32,000.
5. Telephone charges accrued due at 30 September 19X9 amounted to £400 and rent of £600 prepaid at that date.
6. During the year ended 30 September 19X9 Stone has taken goods costing £1,000 for his own use.
7. Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%

Required:

(a) Prepare a trading and profit loss account for the year ended 30 September 19X9. **(7 marks)**

(b) Prepare a balance sheet as at 30 September 19X9 which should include summaries of the partners' capital and current accounts for the year ended on that date. **(8 marks)**

QUESTION FOUR

The Following Trial Balance Was Extracted From The Books Of Collins Ltd At 31 December 19X5

	£	£
Share capital authorized and issued:		
80,000 ordinary shares of £1 each		80,000
Freehold premises at cost	59,000	
Motor vans		
Balance 1 January 19X5 at cost	15,000	
Additions less sale proceeds	650	
Provisions for depreciation of motor vans to 31 December 19X4		6,750
Stock in trade 31 December 19X4	13,930	
Balance at bank	6,615	
Provision for doubtful debts 31 December 19X4		275
Trade debtors and creditors	12,395	11,380
Directors' remuneration	4,000	
Wages and salaries	13,127	
Motor and delivery expenses	3,258	
Rates	700	
Purchases	108,440	
Sales		142,770
Legal expenses	644	
General expenses	5,846	
Profit and loss account: balance at 31 December 19X4		2,430
	243,605	243,605

You are given the following information.:

i. Stock in trade, 31 December 19X5, £14,600.
ii. Rates paid in advance, 31 December 19X5, £140.
iii. Debts of £1,075 to be written off and the provision to be increased to £350.
iv. On 1 January 19X5, a motor van which had cost £680, was sold for £125.
v. Depreciation provided for this van up to 31 December 19X4 was £475.
vi. Provide for depreciation of motor vans (including additions) at 20% of cost.
vii. The balance on legal expenses account included £380 in connection with the purchase of one of the freehold properties.
viii. The directors have decided to recommend a dividend of 5%.

Required:

With particular emphasis on presentation, prepare a trading and profit and loss account for the year 19X5, and a balance sheet at 31 December 19X5, ignoring taxation. **(15 marks)**

QUESTION FIVE

ABC ltd Profit and Loss $^{A}/_{C}$ for the year ended 31.12.1992

	Sh	Sh
Sales		850,000
Less: Cost of Sales		
Opening stock	99,500	
Purchases	559,500	
	659,000	
Less: Closing stocks	(149,000)	(510,000)
Gross profit		340,000
Less expenses		
Selling and distribution	30,000	
Depreciation	10,000	
Administration expenses	135,000	(175,000)
Earnings before interest & taxes		165,000
Interest		(15,000)
Earnings before tax		150,000
Tax @ 50%		75,000
Less ordinary dividend		75,000
(0.75 per share)		
Retained profit for the year		(15,000)
		60,000

ABC Balance Sheet as at 31 December 1992

		Sh.		Sh.
Non Current Assets			Issued share capital	
Land and Buildings		250,000	(20000 share of Sh,	200000
Plant & Machinery		80,000	10)	90000
		330,000	Reserve	60000
			Retained profit	100000
Current Assets			Long term	130000
Inventory		149,000	Current liabilities.	
Debtors	75,000			
Less provision	(4,000)	71,000		
Cash		30,000		
		580,000		580,000

Additional Note
Cash purchases amount to 14,250.

Required:
Compute the relevant ratios:

i) Liquidity Ratio
ii) Profitability Ratio
iii) Gearing Ratio
iv) Activity Ratio
v) Equity Ratio

(15 Marks)