



W1-2-60-1-6

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

University Examinations 2018/2019

FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE POST GRADUATE DIPLOMA

IN TAX ADMINISTRATION

BRT 3106

Financial Accounting II

MAIN/ SUPPLEMENTARY / SPECIAL EXAM

DATE: April 2019

TIME: 3 Hours

INSTRUCTIONS

1. This paper contains **Five** questions.
2. Answer **Question One** and any other **Two** questions.
3. **Question One** is compulsory
4. All answers should be written on the official answer sheet provided.
5. Each question should be answered on a fresh page of the answer sheet.
6. Indicate your admission number on each answer sheet.
7. Mobile phones, laptops and similar electronic gadgets are **NOT** allowed in the examination room.
8. Detection of any cheating shall lead to automatic disqualification.
9. Candidates should remain in the examination room throughout the examination period.
10. Show your workings very clearly and any assumptions made.

Question One

a) The directors of Companies are required to publish a wide range of information which are not included in the accounts of sole proprietorship or partnership. Discuss any **four** of such information. **(8 marks)**

b) The following information were extracted from the books of Lexco Company for the period ended 30th September 2018,

	<u>KSHS</u>	<u>KSHS</u>
Purchases and Sales	2,850,000	4,750,000
Inventory	91,000	
Motor Vehicle;		
Cost	2,800,000	
Provisions for Depreciation		640,000
Property plant and Equipment;		
Cost	900,000	
Provisions for Depreciation		240,000
Debtors and creditors	940,000	550,000
Bank	744,000	
Selling and distribution expenses	290,000	
Debenture interest	100,000	
Administration costs	410,000	
Directors fees	112,000	
Auditors Fees	60,000	
10% Debenture Capital		1,400,000
1,200,000		
Sundry expense	220,000	
Interim Dividends	60,000	
Profit and Loss b/d		770,000
Assorted Incomes		27,000

The following additional information was also made available;

i) The Motor vehicle account include a motor vehicle that was sold for Shs 590,000 and the historical cost was 700,000, the motor vehicle had been purchased on 30th June 2017,

The Company Depreciates its fixed assest at the rate of 20% p,a on cost prorated for the duration of usage,

ii) The Closing inventory was valued at Sh 125,000

iv) The capital of the company is Ordinary share capital divided into 100,000 shares of Shs 12 each, The Company has announced final dividend of Sh 7%

v) Shs 450,000 will be transferred from Profit and Loss account to general reserve,

Required

i) Prepare the Income Statement

(14 marks)

ii) Prepare a Statement of financial position

(8 marks)

Question Two

The following is a receipt and payments account prepared by the treasurer of the City Golf Club for the year ended 31 December 2017,

	Sh
1st January; Cash in hand	
10,000	
Balance at bank as per passbook and bank statements:	
Deposit account	223,000
Current account	60,000
31st December bank interest on:	
Deposit account	3,000
Donations and subscriptions	260,000
Receipts and teas	30,000
Contribution to travelling	10,000
Sale of equipment	8,000
Net proceeds of dinner dance	78,000
	<u>682,000</u>
	Sh
Grounds man wages	75,000
Purchase of mowing machine	150,000
Rent of ground	25,000
Cost of teas	25,000
Travelling expenses	40,000
Printing and secretarial expenses	28,000
Repairs to machinery and equipment	50,000
Honoraria to secretary and treasurer for 2017	40,000
Balance at bank as per passbook and bank statements:	
-deposit account	209,000
-current account	15,000
Cash in hand	25,000
	<u>682,000</u>

You are given the following additional informational:

Balances on:	1 Jan 2017	31 Dec 2017
	Sh	sh
Subscriptions due	15,000	10,000
Sums due for printing and secretarial expenses	10,00	8,000
Unpresented cheque, being payments for repairs	30,000	25,000
Interest on deposit account not entered in passbook	-	2,000
Estimated value of machinery and equipment	80,000	173,000

For the year ended 31st December 2017, honoraria to the treasurer are to be increased by a total of Shs 20,000 and the grounds man is to receive a bonus of Shs 20,000, The equipment disposed of had a book value of 2,000 shillings,
Required:

- (a) Computation showing the balance on the club's accumulated fund on 1st January 2017, **(3 marks)**
(b) Income and expenditure account for the year ended 31st December 2017,

(12 marks)

Question Three

a) Discuss the terms 'provisions for bad and doubtful debts' and explain why it is necessary to provide for bad and doubtful debts as an allowable expense in the calculation of profit and loss. **(5 marks)**

b) Mrs, Musau balance of accounts receivable as at 31st December 2014 was sh 5,600,000, Mrs, Musau observed that 2% of the accounts receivable are doubtful, At the close of the previous accounting year on 31st December 2013, the accounts receivable stood at sh 3,000,000 and the bad and doubtful debts were believed to be 5%,

Required:

Draw the provision for bad and doubtful debts account, and the balance sheet extracts for year 2013 and 2014. **(10 marks)**

Question Four

Chacha and Mushi are in partnership sharing profits and losses equally, They manufacturer shoes whose brand name is “DAWO”, Their trial balance as at 31 December 2016 was as follows:

	Sh,'000	Sh,'000
Capital accounts:		
Chacha		4,000
Mushi		4,000
Current accounts:		
Chacha		500
Mushi	100	
Drawings:		
Chacha	200	
Mushi	300	
Stock (1 January 2016)		
Raw materials	1,500	
Work in progress	2,200	
Finished goods	1,200	
Factory land and buildings at cost (land Sh,17 million)	18,000	
Plant and machinery at cost	3,500	
Delivery van (for sales distribution)	1,400	
Provision for depreciation on:		
Factory buildings		40
Plant and machinery		1,400
Delivery van		700
Sales		86,240
Purchases of raw materials	40,000	
Production wages	10,000	
Factory manager's salary	480	
Office salaries	5,000	
Distribution costs	3,250	
Factory rates and insurance	700	
Fuel and electricity	800	
Office rates and insurance	500	
Bad debts	20	
Provision for doubtful debts		20
Royalties payable	1,000	
Trade debtors and creditors	800	700
Bank balance	6,390	
Carriage on raw materials	500	
Provision for unrealized profit	_____	_____240
	97,840	97,840

Additional information:

1. Stock at 31 December 2016 was valued as follows:

	Sh, '000
Raw materials	2,000
Work in progress	4,200
Finished goods	1,000

2. Depreciation is provided at the following rates:
Factory buildings - 2% per annum on cost
Delivery van - 25% per annum on cost
Plant and machinery - 20% per annum on cost
3. Provision for doubtful debts is to be maintained at 5% of the debtor's balance at the end of the year,
4. Manufactured goods are transferred to the warehouse at cost plus 25% of factory profit
5. The partnership agreement provides that each partner enjoy a salary of 50,000 per month and a 7% interest be allowed on their capital accounts, Drawings to be charged 5% interest per year,

Required

- (a) Manufacturing, trading and profit and loss and appropriation accounts for the year ended 31 December 2016. **(10 marks)**
- (b) Balance sheet as at 31 December 2016. **(5 marks)**

Question Five

- a) Define the following terms;
Factory overheads **(2 marks)**
Unrealized profits **(2 marks)**
Prime costs **(2 marks)**

b) The following balances were extracted from the books of Taba Ltd, a manufacturing and trading company, as at 31 October 2017:

	Sh, "000"
Business premises at cost	20,000
Plant and equipment at cost	18,000
Motor vehicles at cost	6,400
Accumulated depreciation as at 1 November 2016:	
Business premises	3,200
Plant and equipment	10,000

Motor vehicles	2,400
Ordinary shares (sh.10 each)	15,000
Share premium	5,000
Retained earnings (1 November 2016)	28,300
Inventory as at 1 November 2016:	
Direct materials	1,200
Work in progress	800
Finished goods	1,600
Purchases of direct materials sales	10,400
Sales	67,100
Administration overhead	10,400
Trade receivables	4,900
Trade payables	4,600
Cash in hand	300
Bank balance	32,900
Direct manufacturing wages	18,000
Selling overhead	200

Additional information:

1. Depreciation for the year ended 31 October 2017 is to be provided using the following annual rates:

Asset	Rate
Business premises	4% based on cost
Plant and equipment	20% based on cost
Motor vehicles	25% on reducing balance basis

2. Depreciation on motor vehicles is to be apportioned as follows:

	Rate
Production overhead	50%
Administrative	50%

Depreciation on other assets is to be allocated to production overhead.

3. Inventory were valued as follow;
Raw materials sh,1,400,000, this inventory included raw material which cost sh,300,000 and could only realized a scrap value of sh,100,000,
WIP Sh 190,000
Finished Goods Sh 800,000

Required:

- a) Manufacturing, trading and profit and loss accounts for the year ended 31 October 2007. **(9 marks)**