



MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)

University Examinations 2013/2014

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND SECRETARIAL

Examination for Diploma II in Accountancy

FINANCIAL ACCOUNTING

Date: 31/7/2014

Time:

Instructions

- Answer all questions

1. The following transactions relate to Fazi Traders for the year ended 31st December, 2010.

March 1 Sold goods valued at shs.250,000 on credit to Baruka Enterprises and drew a three months bill of exchange for the amount due. The bill was duly accepted.

May 31 Baruka enterprise dishonored the bill but offered to pay shs.50,000 immediately and accepted a fresh bill for the balance plus interest at 10% per annum for three months.

August 3 Baruka Enterprises honoured the second bill

Prepare journal entries to record the above transactions in the books of Baruka enterprises. (20 marks)

2. On 1st January, 2004, Nzenga Ltd. obtained rights to extract soap stone ore from the land of Ikole Ltd. Under the terms of the agreement, Nzenga Ltd. was to pay a royalty of Shs.750 per ton of soaps tone extracted and a minimum rent of shs.15,000,000 a year. Ikole Ltd. agreed to allow Nzenga ltd. to recoup short workings over the first three years. The ore extracted for the first three years was as follows

Year	Tons
2004	15,000
2005	21,000
2006	22,000

The amounts due to Ikole Ltd. were settled at the end of every year
Required

Prepare ledger accounts to record the above information in the books of Nzenga Ltd.
(20 marks)

3. On 15 November, 2012, Huge Manufacturers of Lebanon consigned 300 cases of wooden items to Furniture producers Ltd. of Nakuru. On 31 December, 2012, Furniture producers Ltd forwarded an account sale with a draft for the balance, showing the following transactions.
1. 250 cases sold at Ksh.400 each and 50 at Ksh.180 each
 2. Port and duty charges were Ksh.14,400
 3. Storage and carriage charges Ksh.8,200
 4. Commission on sales 5% and 1% del credere

Required

- (a) Prepare the account sales. (15 marks)
 - (b) Show the consignment inwards account in the books for Furniture producers Ltd. (5 Marks)
4. Konza investments Ltd delivers its products to customers in returnable containers. These are invoiced to the customers at Ksh.400 each and if returned in good condition within six months, are credited with Ksh.250 each. The containers are purchased at Ksh.200 each. The stocks of containers are valued at Kshs.170 each

At 1 January, 2011, there were 2,000 containers held in the company's warehouse and 5,500 in the hands of customers.

During the year 2011, 1,250 new containers were bought and 160 containers were scrapped for Ksh.1,800

8750 containers were charged to customers and 9050 containers were returned within the six months period

At 31 December, the physical stocktaking showed 3,390 containers in the warehouse and information derived from customers showed that there was 4,950 containers out with customers.

Required

Prepare in the books of Konza Ltd:

- (a) The containers stock account (10 marks)
- (b) The containers suspense account (10 marks)

5. The following balance sheets relate to a business run by T. weldone as at 31 December 2012 and 31 December, 2013

BALANCE SHEETS AS AT 31 DECEMBER 2012 AND 2013

	2012		2013	
	Shs	Shs	Shs	Shs
Fixed Assets				
		200,000		350,000
Current Assets				
Stock	40,000		130,000	
Debtors	10,000		20,000	
Bank	110,000		10,000	
	160,000		160,000	
Less current liabilities creditors	20,000		60,000	
		140,000		100,000
		<u>340,000</u>		<u>450,000</u>
Financed by		340,000		400,000
Capital				50,000
Loan		<u>340,000</u>		<u>450,000</u>

Required

Prepare T. Weldone's cashflow statement.

(20 marks)