



# MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)

University Examinations 2013/2014

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND SECRETARY

**FIRST YEAR SECOND SEMESTER EXAMINATION  
FOR THE DEGREE OF BACHELOR OF COMMERCE**

**BAC 101: FUNDAMENTALS OF ACCOUNTING II**

Date: 29/7/2014

Time: 3 HOURS

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## Instructions

*Answer all questions*

1. Smith and Alex are partners sharing profits and losses in the ratio 2:1 respectively. The following trial balance was extracted from their books on 31<sup>st</sup> Dec.2011:

	DR.	CR.
Stock(1.1.2011)		500,200
Purchases and Sales	823,600	1,430,000
Returns	30,600	16,000
Wages	257,500	
Discounts	8,500	12,000
Insurance	17,500	
Heating and lighting	38,400	
Salaries	72,400	
Carriage Outwards	27,100	
Office expenses	7,200	
Loan interest	10,000	
Cash in hand	5,500	
Cash at bank	37,000	
Debtors and Creditors	224,800	195,500
Loan from CFC		200,000
Machinery(bought on 1.7.2010)	300,000	
Machinery bought on 1.1.2011	50,000	
Land and buildings	320,000	
Goodwill	30,000	
Capitals: Smith		570,000

Alex		430,000
Current Accounts: Smith		40,000
	Alex	10,000
Drawings:	Smith	83,200
	Alex	<u>40,000</u>
		<u>2,893,500</u>
		<u>2,893,500</u>

Additional Information:

- Stock on 31<sup>st</sup> Dec 2011 was valued at sh.470,000.
- On 31<sup>st</sup> Dec 2011 sh.12,500 owed for wages.
- Allow 10% P.a depreciation on Machinery at cost.
- Interest on capitals at 5% and Drawings 10%.

REQUIRED:

a) Trading ,profit and loss and appropriation account for the year ended 31<sup>st</sup> Dec. 2011.

b) Partners' Current accounts.

20Marks.

- London co.ltd offered 10,000 sh.1 ordinary shares for sale to public as follows:
  - Sh.0.25 on application
  - Sh.0.35 on allotment including share premium
  - Sh.0.30 on first call
  - Sh.0.25 on second call.

Applications were received for 10,000 shares, all of whom were approved by the directors and shares allotted. All shareholders paid allotment money and first call but one shareholder who was allotted 100 shares failed to pay second call.

**Required:**

Show ledger accounts to record the above transactions

15marks.

- The following are extracts from the financial statements of SOYA ltd as at 31<sup>st</sup> March:

	2013	2012
	<u>Shs.000</u>	<u>Shs.000</u>
<u>Non-current assets:</u>		
Land and building	50,400	36,000
Plant and Machinery	17,580	19,050
Investment at cost	10,800	11,250
Goodwill	<u>8,400</u>	<u>8,700</u>
	<u>87,180</u>	<u>75,000</u>
<u>Current assets</u>		
Inventory	30,150	26,100
Trade receivables	18,420	23,400
Short term investments	5,130	2,520
Cash in hand	<u>600</u>	<u>1,290</u>
	<u>54,300</u>	<u>53,310</u>
Total Assets	<u>141,480</u>	<u>128,310</u>
<u>Equity and Liabilities:</u>		
Ordinary share capital	54,000	45,000
Share Premium	4,500	2,250

Revaluation reserve	13,500	-
Revenue reserve	<u>18,450</u>	<u>15,750</u>
	<u>90,450</u>	<u>63,000</u>
<u>Non Current liabilities</u>		
14% loan stock	<u>22,500</u>	<u>27,000</u>
<u>Current liabilities</u>		
Trade payables	17,550	15,750
Bank overdraft	7,170	19,620
Proposed dividend	1,350	1,140
Taxation	<u>2,460</u>	<u>1,800</u>
	<u>28,530</u>	<u>38,310</u>
Total equity and liabilities	<u>141,480</u>	<u>128,310</u>

Additional information

i)The income statement extract for the year ended 31<sup>st</sup> March 2013 is as follows:

	<u>Sh.000</u>	<u>Sh.000</u>
Profit before tax		7,200
Less: Corporation tax		<u>2,700</u>
Profit after tax		4,500
<u>Dividends-Interim</u>	450	
-Proposed	<u>1,350</u>	<u>1,800</u>
Retained earnings		<u>2,700</u>

ii)During the year, plant with a net book value of Sh.2,250,000 was sold for Sh.4,410,000.The plant had originally cost Sh.9,000,000.

iii)Part of the investment was sold during the year at a profit of Sh.480,000.

iv)Depreciation on plant and machinery amounting to Sh.3,450,000 was charged to the income statement during the year.

v)During the year impairment of goodwill was estimated to Sh.1,260,000.

vi)The revaluation reserve relates to freehold land and building.

Required

Statement of cash flow in accordance with the International Accounting Standard (IAS)7.

(25 marks)

4.a) Distinguish between a rights issue and a bonus issue.

(4 marks)

b)Explain three categories of ratios.

(6marks)