MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

FIRST YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 101: FUNDAMENTALS OF ACCOUNTING II

DATE: 29/7/2019 **TIME: 8.30-10.30 AM**

INSTRUCTIONS: answer question one and any other two question

1. a) The following details were extracted from the accounts of steelworks manufacturer for the year ended 31st December 2018.

January 1, 2018	Inventory of Raw materials	20,000
Dec 31, 2018	Inventory of raw materials	26,250
Jan 1, 2018	Work in progress	8,750
Dec 31, 2018	Work in progress	10,500

Year to 31 December 2018:

Wages: Direct	99,000
Indirect	63,750
Purchase of raw materials	217,500
Fuel and Power	24,750
Patent rights	3,500
Lubricants	7,500
Carriage inwards (raw materials)	5,000
Rent of factory	18,000
Depreciation of factory	10,500
Internal transport expenses (Production)	4,500
Insurance of plant and factory building	3,750
General factory expenses	8,250

Required;

Prepare a manufacturing account for the year ended 31 December 2018 (10 Marks)

b) Explain the following types of partners;

(i) Dormant

(ii) Limited

(iii) Minor

(iv) Nominal (4 marks)

c) (i) Distinguish between a statement of financial position and a statement of affairs. (2 marks)

(ii) The following information was extracted from the accounts of Mali Ltd.

	Ksh.
Share capital (Ksh 1 Per value)	5,000,000
Reserves	1,200,000
Debentures	1,200,000
Profit after interest and tax	550,000
Dividend	300,000
Current market price per share	1.50

Required:

- Earnings per share (EPS)
- Price earning Ratio (PER)
- Earning Yield
- Dividend Yield
- Dividend cover (10 marks)

(d) Highlight four (4) uses of cash flow statement to business organizations. (4 marks)

2. Crystal clear company Ltd issued 2.00,000 ordinary shares of Sh. 10 each payable as follows:

	Sh.
- Application	4
-Allotment	3
- First and Final Call	2

Applications were received for 240,000 shares. The applications were allotted on pro-rata basis. All monies were received except;

- A shareholder with 2,000 shares paid call money together with allotment.

- A shareholder with 1,000 shares failed to pay call money.
- Shares with arrears were forfeited but re-issued at a discount of *30%*.

Required:

(i) General journal entries to record the issue.

(ii) Bank account and ordinary share capital account after the issue.

(iii) Balance sheet extract immediately after the issue. (20 marks)

3. Juha and Kalulu are in partnership and the following details were extracted from their records for the year ended 31 December 2018.

Capital accounts:	Juha	300,000
	Kalulu	400,000
Current Accounts:	Juha (Cr)	5,600
	Kalulu (Dr)	6,000
Drawings:	Juha	28,200
	Kalulu	25,400
Gross Profit for the year		200,000
Other balances were:		
Printing and stationery		12,500
Salaries and wages		38,600
Rent and Rates (Jan 2018 to March 2019)		15,000
Insurance		24,000
Discount received		12,160
Discount allowed		4,800

Each partner is to receive 3% per annum interest on capital. Juha and Kalulu share profits and losses in the ratio of 5:4 respectively.

REQUIRED:

a) The firms profit and loss A/C for the year ended 31 December, 2018 (10 Marks)

b) Appropriation Account for the year 2018. (4 Marks)

c) Partners’ current Accounts for the year 2018 (in a columnar format) (6 Marks)

4. The following are the balance sheets of Netto Company Limited for two consecutive years ended 31 December.

	2017	2018	
	Shs	Shs	
Ordinary share capital (sh.6 each)	1,080,000	1,380,000	
Retained profit	450,000	552,000	
10% Debentures	360,000	450,000	
Corporation tax	174,000	192,000	
Trade Creditors	192,000	204,400	
Proposed dividends	30.000	36,000	
	2,286,000	**2,814,000**	
Fixed assets	1,380,000		1,500,000
Less: Depreciation	339.000	372,000	
	1,041,000		1,128,000
Inventory	720,000		881,700
Accounts receivable	252,000		249,000
Bank balance	273,000	555,300	
	2,286,000	**2,814,000**	

During the year, fixed assets were purchased at a cost of Sh. 336,000. Fixed assets which had cost Sh. 216,000 were disposed off for Sh. 250,000. The book value of these assets was Sh. 150,000 and the profit has been included in retained earnings.

Required:

-Cash flow statement for the year ended 31 December 2018 (Use the indirect method)

5. The following is a receipt and payment account of Mwenge football club for the year ended 31 December 2018.

RECEIPTS AND PAYMENTS

	Shs		**Shs**
1. January: Cash in hand	10,000		
Balance at bank:		Grounds man wages	75,000
-Deposit A/C	223,000	Purchase of mowing machine	150,000
-Current A/C	60,000	Rent of ground	25,000
		Cost of teas	25,000
31 December:		Traveling expenses	40,000
Bank Interest on Deposit A/C	3,000	Printing	28,000
Donation & Subscriptions	260,000	Repairs to machinery	50,000
Receipts from teas	30,000	Honoraria to secretary (2017)	40,000
Contribution to traveling	10,000	Balance at bank:	
Sale of Equipment	8,000	- Deposit A/C	209,000
Proceeds of Dinner dance	78,000	- Current A/C	15,000
		Cash in Hand	25,000
	682,000		**682,000**

Additional Information;

	1 Jan 2017	**31 Dec 2017**
Subscriptions due	15.000	10,000
Amount due for printing	10,000	8,000
Unpresented cheque, being payment for repairs	30,000	25,000
Interest on deposit account not yet recorded.	-	2,000
Estimated value of plant and Machinery	80,000	175,000

For the year ended 31 December 2018 the honoraria to secretary was to be increased by a total of Sh. 20,000 and the grounds man is to receive a bonus of Sh. 20,000. The equipment disposed had a value of Sh.2, 000.

Required:

(a) Statement showing the balance on the club’s accumulated fund on 1 January 2014 (5 Marks)

(b) Income and expenditure account for the year ended 31 December 2-014. (8 Marks)

(c) Balance sheet as at 3 1 December 2014. (7 marks)