MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FIRST YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 101: FUNDAMENTALS OF ACCOUNTING II

DATE: SCHOOL BASED **TIME:**

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTION ONE (30 MARKS)

After preparing the Trading, Profit and loss account for the year ended 31st December 2011, the following balances remained in the books of XYZ ltd .

	DR (shs)	CR(shs)
Ordinary shares		1,000,000
12% Preference shares		500,000
15% Debentures		100,000
Land and buildings(cost)	900,000	
Plant and Machinery(cost)	700,000	
Motor Vehicles(cost)	400,000	
Furniture(cost)	130,000	
Provision for Depreciation(31st Dec.2011):		
Land and buildings		80,000
Plant and machinery		100,000
Motor vehicles		140,000
Furniture		60,000

Debtors and creditors	150,000	80,000
Prepaid insurance	20,000	
Interim Dividend: Ordinary	50,000	
Preference	30,000	
Cash at bank	27,500	
Debenture interest unpaid		7,500
Stock in trade	60,000	
General reserve		100,000
Retained Profit		40,000
Net Profit for the year 2011		260,000
	2,467,500	2,467,500

Additional Information:

1. The authorized share capital of the company is sh.1.5 million, divided into 100,000 ordinary shares of shs.10 each and 50,000, 12% preference shares of shs.10 each.
2. The directors have recommended that:
   i. Shs. 50,000 be transferred to the General reserve.
   ii. The preference dividend balance be paid.
   iii. A final dividend of 5% on ordinary shares be paid.
3. Assume Corporation tax was 30% .

Required:

a) Prepare Appropriation of the profit and loss account for the year ended 31st Dec.2011.

b) Balance sheet as at 31st Dec.2011.

QUESTION TWO (20 MARKS)

Abel and Ben are partners sharing profits and losses in the ratio 2:1 respectively. The following trial balance was extracted from their books on 31st 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 1.1.2010)	300,000	
Machinery bought on 1.7.2011	50,000	
Land and buildings	320,000	
Goodwill	30,000	
Capitals: Abel		570,000
Ben		430,000
Current Accounts: Abel		40,000
Ben	10,000	
Drawings: Abel	83,200	
Ben	40,000	
	2,893,500	2,893,500

Additional Information:

1. Stock on 31st Dec 2011 was valued at sh.470,000.
2. On 31st Dec 2011 sh.12,500 owed for wages.
3. Allow 10% P.a depreciation on Machinery at cost.
4. Interest on capitals at 5% and Drawings 10%.

REQUIRED:

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

b) Partners' Current accounts.

QUESTION THREE (20MARKS)

a) Distinguish between a Receipts and Payments Account and an Income and Expenditure account.

b) The following information relate to County Club for the year ended 31/12/2010

	shs
Subscriptions received	50,000
Sale of Dinner ticket	8,000
Entrance fee received	12,500
Expense of annual dinner	24,300
Printing and Stationary	2,000
Cash balance 1/1/2010	14,200
Repairs	3,000
Furniture purchased	12,000

Required:

Prepare a Receipts and Payments Account.

QUESTIONS FOUR (20 MARKS)

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

b) Explain the Various categories of ratios.

QUESTION FIVE (20 MARKS)

ABC 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 and these shares were forfeited. Later on these were re-issued for sh.0.80 and were fully paid for.

Required:

Show ledger accounts to record the above transactions.