KIBABII UNIVERSITY COLLEGE (KIBUCO)

MAIN CAMPUS

UNIVERSITY EXAMINATIONS
2014 /2015 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER EXAMINATIONS

MAIN EXAMINATION

DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: BCA 103

COURSE TITLE: FINANCIAL ACCOUNTING

DATE: 20TH JANUARY 2015 **TIME: 8.00-10.00 A.M**

INSTRUCTIONS TO CANDIDATES:

Answer Question ONE and any other Two Questions

TIME: 2 Hours

SECTION A

Answer all questions compulsory (30 marks)

1. In partnerships under what circumstances can the Garner Vs Murray Law be invoked? (2 marks)
2. What are the two main differences between partnerships and limited liability companies? (4 marks)
3. Name two costs that comprise the total cost of a manufactured good. (2 marks)
4. What are two methods used to apportion overhead costs/expenditure (2 marks)
5. What is the difference between issued share capital and authorized (2 marks)
6. Name the main difference between an Income statement and a balance sheet (4 marks)
7. What are two advantages of departmental accounts (2 marks)
8. Name and define the different categories of stock on hand for a manufacturing entity as shown on the balance sheet. (6 marks)
9. Bungoma wholesalers sold goods work Kshs. 20000.00 at a cost of Kshs. 1500,000 and earned Kshs. 500,000 as gross profit.
   (i) Calculate markup (2 marks)
   (ii) Margin (2 marks)

Section B: Answer any two questions. (20 marks each)

1. Kitale industries presented the following information relating to its manufacturing for the year ended 31st December 2013

	Kshs
Stock on hand 1st Jan, 2013	
Raw materials	225,000
Work in progress	187,500
Finished goods	250,000
Stock on hand 31st December 2013	
Raw materials	310,000
Work in progress	390,000
Finished goods	490,000
Summaries of transactions during year:	
Purchase of raw materials	1,837,500
Payroll for factory wages	1,250,000
Factory Expenses (Overhead)	2,170,000
Sales of finished	8,650.000

Required

Prepare a manufacturing account to show the following

(i) Cost of direct materials used
(ii) Prime cost
(iii) Cost of goods manufactured

2. Mwamba enterprises extracted the following trial balance as on 31st December 2004

Share capital

	Dr	Cr
250,000 ordinary shares of Kshs. 100 each 25,000,000		
125,000 10% preference shares of 100 each		12,500,000
10% debentures		10,000,000
Freehold premises at cost	25,000,000	
Motor vehicles at cost	7,500,000	
Fixtures and fittings	1,300,000	
Plant and machinery at cost	2,500,000	
Profit and loss Account, 1 Jan 2004		2,685,000
Sales		59,575,000
Stock at 1 Jan 2004	10,775,000	
Bad debts written off	125,000	
Purchases	16,900,000	
Dividends paid at 30 June 2004		
Preference dividend	625,000	
Ordinary dividend	1,250,000	
Debenture interest paid at 30June 2004	50,000	
Trade debtors/creditors	2,700,000	1,500,000
Accumulated depreciation at 1st Jan 2004		
Plant machinery		1,025,000
Motor machinery		2,250,000
Fixtures & fitting		800,000
Salaries & wages	4,100,000	
Cash & bank balances	4,775,000	
Investments	22,500,000	
Office expenses	2,300,000	
General reserve		1,000,000
Selling & distribution expenses	13,750,000	
Director's emoluments	3,700,000	
Auditors remuneration	800,000	
Preliminary expenses	1,200,000	
Sundry income		1,625,000
Bank charges	60,000	
Income from investments		4,500,000
	122,360,000	122,360,000

Additional information available as at 31st December 2004

1. Stock shs. 3,750,000
2. Depreciate fixed assets as follows
    - Motor vehicle at 20% on cost
    - Fixtures and fittings at 12 ½ % on book value

   There were no disposals and acquisitions on non-current assets during the year.
3. Expenses due but unpaid include salaries and wages shs. 62,500 and office expenses paid in advance amount to shs. 120,000
4. Provision for bad debts is set to be at 2 ½ % of sundry debtors
5. Debenture interest is payable half-yearly, the half year to 31st December, 2004 being due on that date.
6. Corporate tax is charged on at 30% on the current profits of the year of taxation liabilities
7. The directors of Mwambu enterprises recommend appropriation as follows:
   (i) The preliminary expenses to be written off in file
   (ii) Transfer to be made from the profit and loss Account as follows:
   General reserve shs. 1,500,000
   (iii) Payment of final dividend of 12 ½ % on the ordinary share capital.

<u>Required</u>

a) Trading, profit and loss accounts for the year ended 31st December, 2004 (10 marks)
b) Balance sheet at 31st December, 2004 (10 marks)

3. Uniform outfitters operates a business that is divided into two departments
   Department A: Girls uniforms
   B: Boys uniforms

The following information was extracted from their books for the period ended B 31st December 2004

		Dr	Cr
Sales Department: A			120,000
Sales Department: B			120,000
Stocks department A-1-1-2004		38,500	
Stocks department B-1-1-2004		57,300	
Purchases department A	43,600		
Purchases department B	45,000		
Wages of sales Assistants Department. A	6,000		
Wages of sales Assistants Department B	12,000		
General office salaries	9,000		
Rates	3,300		
Fire insurance	2,700		
Repairs to premises	1,800		
Cleaning	1,500		

Accountancy and audit charges	6,300
General office expenses	2,400

Stocks at 31st December 20004 were valued at:

Department A: 12,300

Department B: 22,400

The ratio of the total floor area occupied by each department was

Department A: $^1/_3$

Department B: $^2/_3$

For the purpose of costing for each department, the apportionment of expenses were based on

Floor Area	Sales turnover
Rates	General office salaries
Fire insurance	Accounting and audit
Repairs to premises	General office expenses
Cleaning	

Required

Apportion the expenses where necessary, and prepare the profit and loss account for each department