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UNIVERSITY EXAMINATIONS

2013/2014 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTAR

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DAB 101

COURSE TITLE: FINANCIAL ACCOUNTING

DATE:

TIME:

Instructions to Candidates

- Answer All Questions in Section A and Choose any 3 Questions from Section B
- Be neat and orderly

DAB : FINANCIAL ACCOUNTING

SECTION A;

Q1 (a) Discuss the advantages and disadvantages of a partnership form of business ownership [10 marks]

(b) Briefly explain the importance of control accounts [5 marks]

Q2. Prepare a purchases ledger control account from the following for the month of June. The balance of the account is to be taken as the amount of creditors as on 30 June.

2003		£
June 1	Purchases ledger balances	36,760
	Totals for June:	
	Purchases journal	422,570
	Returns outwards journal	10,980
	Cheques paid to suppliers	387,650
	Discounts received from suppliers	8,870
June 30	Purchases ledger balances	?

[10 marks]

SECTION B

Q3. The balance sheet of the partnership of Kombo and Nzuki as at 31 March 1997 was as follows:

Capital accounts:	Shs.	Sh.	Fixed asset	sh.	sh
Kombo	1,400,000		(at cost less depreciation		
Nzuki	<u>1,400,000</u>	2,800,000	Premises	1,200,000	
			Equipment	520,000	
			Vehicles	<u>418,000</u>	2,138,000
Current Accounts:					
Kombo	136,000				
Nzuki	<u>(81,200)</u>	54,800			

Current Liabilities:		Current Assets:	
Creditors	501,600	Stock	894,200
Accruals	<u>25,600</u>	debtors	475,900
		Provision	(46,400) 429,500
		Prepayments	28,600
Suspense account	<u>326,300</u>	Bank and cash	281,000
	<u>3,708,300</u>		<u>1,570,300</u>
			<u>3,708,300</u>

After a lengthy check of all the entries, the following errors were identified

1. Discounts received, sh.26,400 had been debited to discounts allowed.
2. The sales account had been under cast by sh.200,000.
3. A credit sale of Sh.29,400 had been debited to a customer's account as Sh.42,900.
4. A vehicle bought originally for sh.140,000 four years ago and depreciated at 20% by straight line method on an assumed residual value of Sh.20,000 had been sold at Sh.60,000 but no entries, other than in the bank account had been passed through the books.
5. An accrual of Sh.11,200 for electricity charges had completely been omitted.
6. A bad debt of Sh.31,200 had not been written off an provision for bad debts should have been maintained at 10% of debtors.
7. Kombo's current account had been credited with a partnership salary of Sh.60,000 which should have been credited to Nzuki's current account.
8. Kombo had withdrawn, for personal use, goods to the value of Sh.39,200. No entries had been made in the books.
9. The partners share of profits and losses as follows:

Kombo 60% and Nzuki 40%

Required:

- a) A statement of adjustments to show the correct net profit for the year ended 1997 (8 marks)
- b) A corrected balance sheet as at 31 March 1997. (4 marks)

Q4. The balances and transactions affecting the control accounts of Kopesha Ltd. for the month of November 1997 are listed below:-

	Sh.	
Balances on 1 November 1997:		
Sales ledger	9,123,000	(debit)
	211,000	(credit)
Purchases ledger	4,490,000	(credit)
	88,000	(debit)
Transactions during November 1997:		
Purchases on credit	18,135,000	
Allowances from suppliers	629,000	
Receipts from customers by cheques	27,370,000	
Sale on credit	36,755,000	
Discount received	1,105,000	
Payments to creditors by cheques	15,413,000	
Contra settlements	3,046,000	
Bills of exchange receivable	6,506,000	
Allowances to customers	1,720,000	
Customers cheques dishonored	489,000	
Cash received from credit customers	4,201,000	
Refunds to customers for overpayments	53,000	
Discounts allowed	732,000	
Balances on 30 November 1997		
Sales ledger	136,000	(credit)
Purchases ledger	67,000	(debit)

Bar Sales	5,227	stationery	
Sale of investments	750	Insurance	18
		General expenses	46
		Payments on	
		account of new	450
		furniture	
		Balance at bank,	
		31 December 19X1	<u>775</u>
	<u>6,486</u>		<u>6,486</u>

The following information is also supplied:

(1)	31 December 19X0	31 December 19X1	
Bar stock, at cost	272	315	
Creditors for bar purchases	306	358	
Rent due	18	36	
Heating and lighting expenses due	16	19	
Subscriptions due	25	40	
Insurance paid in advance	5	7	

- 2) On 31 December 19X0, the club held investments which cost shs 500. During the year ended 31 December 19X1, these were sold for shs 750.
- 3) Furniture was valued at shs 300 on 31 December 19X0. On June 19X1, the club purchased additional furniture at a cost of shs 520. Depreciation of all furniture is to be provided for at the rate of 10% per annum.

Required:

- (a) Prepare an income and expenditure account for the year ended 31 December 19X1[8 marks].
- (b) Prepare a balance sheet at that date.[7 marks]

Q7. J Spratt is the proprietor of a shop selling books, periodicals, newspapers and children's games and toys. For the purposes of his accounts, he wishes the business to be divided into two departments: Department A 'Books, periodicals and newspapers'. Department B Games, toys and fancy goods. The following balances have been extracted from his nominal ledger at 31 March 19X9:

	Dr	Cr
Sales Department A		15,000
Sales Department B		10,000
Stocks Department A, 1 April 19X8	250	
Stocks Department B, 1 April 19x8	200	
Purchases Department A	11,800	
Purchases Department B	8,200	
Wages of sales assistants Department A	1,000	
Wages of sales assistants Department B	750	
Newspaper delivery wages	150	
General office salaries	750	
Rates	130	
Fire insurance – buildings	50	
Lighting and air conditioning	120	
Repairs to premises	25	
Internal telephone	25	
Cleaning	30	
Accountancy and audit charges	120	
General office expenses	<u>60</u>	
	<u>25,000</u>	<u>25,000</u>

Stocks at 31 March 19X9 were valued
at:

Department A £300,

Department B £150

The proportion of the total floor area occupied by each department was:

Department A one fifth

Department B four-fifths

Required;

Prepare J Spratt's trading and profit and loss account for the year ended 31 March 19X9, apportioning the overhead expenses, where necessary, to show the Department profit or loss.

The apportionment should be made by using the methods as shown:

Area - Rates, Fire insurance, Lighting and air conditioning, Repairs, Telephone, Cleaning:

Turnover -General office salaries, Accountancy, General office expenses

[15 marks]