



KIBABII UNIVERSITY COLLEGE

(A Constituent College of Masinde Muliro University of Science Technology)

P.O. Box 1699-50200 Bungoma, Kenya

Tel. 020-2028660/0708-085934/0734-831729

E-mail: enquiries@kibabiiuniversity.ac.ke

UNIVERSITY REGULAR EXAMINATIONS

2013/2014 ACADEMIC YEAR

1ST YEAR 2ND SEMESTER EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT

(MAIN EXAM)

COURSE CODE: DAB 101

COURSE NAME: FINANCIAL ACCOUNTING

DATE: 25TH APRIL, 2014

TIME: 2:00P.M. – 4:00P.M.

INSTRUCTIONS TO CANDIDATES

Answer **ALL** questions in section **A** and any **THREE** questions

SECTION A

QUESTION ONE

- (a) Briefly explain the advantages of partnership form of business (10mks)
(b) Explain giving examples features of liabilities, provisions and reserves (5mks)

QUESTION TWO

The following information has been extracted from the books of Kibabii traders limited for the month of April 2013

		Kshs.
Sales ledger Bal. b/d		838,000 (Dr)
Sales ledger Bal b/d		184,000 (Cr)
Purchases ledger Bal b/d		196,000 (Dr)
Purchases ledger Bal b/d		598,000 (Cr)
Transaction during the month		
Sales on credit	8,784,000	
Purchase credit	7,849,000	
Return inward	248,000	
Return outward	179,000	
Cash paid to creditors	4,674,000	
Cheques paid to creditors	1,395,000	
Bad debts	139,000	
Discount allowed	162,000	
Discount received	231,000	
Cash received from debtors	2,400,000	

QUESTIONS TWO

Required

Prepare the sales ledger and purchases ledger control accounts
(10mks)

Distinguish between each of the following pairs of terms

- (i) Receipts & payments account (5mks)
(ii) Balance sheet and statement of affairs (5mks)
(iii) Provisions and reserves (5mks)

(Total 15mks)

QUESTION FOUR

Meze Ltd has an authorized share capital of sh.20 million divided into 1,500,000 ordinary shares of sh.10 each and 250,000 8% preference shares of sh.20 each.

On 1 July 2003, the company offered 500,000 ordinary shares for sale to the public at sh.15 each payable and follows:

- On application sh.7 including premium
- On allotment sh.5
- On first and final call, sh.3

Required:

(a) Ledger accounts to record to above transactions
(10mks)

(b) Balance sheet extract of Meze Ltd (5mks)

QUESTION FIVE

Okech and Wanjala are in a partnership that sells hardware. They share profit and losses equally. Interest of 10% is charged on their capitals, their bookkeeper has provided the following information for the year ended 31-12-2013

	Kshs. '000'
Capital accounts	
Okech	1080
Wanjala	1200
Drawings : Okech	780
Wanjala	660
Sales	13572
Returns inwards	360
Closing inventory	2040
Cost of sales	8400
Sales ledger control account	3600
Purchase ledger control account	3000
Operating expense	3132

Additional information

- (i) 5% interest is charged in the partners drawing
- (ii) An invoice for Kshs.240,000 was incorrectly entered in the sales day book as Sh.24,000.

Required:

Trading profit and loss account for the year ended 31-12-2013

(15mks)

QUESTION SIX

The trial balance of plastics ltd as at 31 October 2004 is as follows:

	Shs '000'	Shs. '000'
Ordinary shares of the 50 each		10,000
10% preference shares of sh.100 each		9,000
10% debentures		8,000
Land & Buildings	25,000	
Plant & Machinery	8,000	
Motor vehicle	2,000	
Inventory	6,000	
Account receivable & payable	20,000	19,000
Cash at bank	4,100	
Reserves		6,000
Share premium		4,000
Profit b/d		5,000
Debenture interest	400	
Preference dividend	450	
Gross profit		25,000
Other operating income		4,000
Administration expenses	13,000	
Distribution costs	6,000	
Other operating expenses	1550	
Interim fixed paid	2000	
Corporate tax		500
	88,500	88,500

Required:

(a) Profit and loss account

(10mks)

(b) Balance sheet as at Kshs.

(5mks)

QUESTION SEVEN

H young ltd began construction work on Malaba – Bungoma Road. The following information regarding the contract is available;

Kshs.

Material delivered direct to contract	8,000
Material issued to stores	1,200
Wages	15,000
Overhead	2,500
Plant returned from contract	89,000
Accrued wages	650
Materials on site	1,750
Value of plant	100,000

Required:

Contract account	(15mks)
------------------	---------