

The  
Management  
University  
of Africa



Sponsored by the Kenya Institute of Management

UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE/ BACHELOR OF  
EDUCATION ARTS

BCM 122/ACT 413 : FINANCIAL ACCOUNTING II

DATE: 31<sup>ST</sup> JULY 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

**QUESTION ONE**

The Trial balance of X and Y partnership on 31<sup>st</sup> December 2019 is provided as follows.

	Kshs.	Kshs.
Sales	-	1,800,000
Opening inventory	15,750	-
Purchases	659,250	-
Total expenses	565,875	-
Cash at bank	29,700	-
Accounts payable	-	131,625
Accounts receivable	904,500	-
Non-current assets (cost)	585,000	-
Capital accounts:	-	-
X	-	270,000
Y	-	180,000
Current accounts:	-	-
X	-	157,500
Y	-	157,500
Drawings:	-	-
X	92,250	-
Y	69,300	-
Loan from X	-	225,000
	<b>2,921,625</b>	<b>2,921,625</b>

**Additional Information**

- i. Profits and losses were to be shared equally.
- ii. Interest on partners' capital was 15% per annum, interest on drawings was 10% per annum and interest on partners' loans was 20%.
- iii. Partners' salaries: X Kshs. 45,000; Y Kshs. 27,000 per annum.
- iv. Z was admitted as a new partner on 31<sup>st</sup> December 2019 and he contributed Kshs. 337,500 as his capital. The new profit-sharing ratio was agreed as 2:2:1. Assume there was no revaluation of assets.
- v. Closing inventory on 31<sup>st</sup> December 2019 was Kshs. 22,500.

**Required:**

- a) Discuss four features that differentiate companies from partnerships. (8 Marks)
- b) Prepare X, Y and Z profit or loss appropriation account for the year ended 31<sup>st</sup> December 2019. (10 Marks)
- c) Prepare X, Y & Z capital & current accounts. (7 Marks)

**QUESTION TWO**

Below is the Trial balance for Elon's Ltd.

<b>Elon's Ltd</b>		
<b>Trial balance as at 31 December 2015</b>		
	<b>Debit</b>	<b>Credit</b>
	<b>£</b>	<b>£</b>
Issued ordinary share capital (150,000 shares at £1)		150,000
Land and buildings	270,000	
Machinery	84,000	
Sales revenue		220,110
Purchases	121,333	
Inventory as at 1 January 2015	25,659	
Wages and salaries	32,316	
Administration and distribution	9,997	
Directors' remuneration	12,000	
Trade receivables and payables	19,830	16,465
Cash and cash equivalents	4,974	
Provision for depreciation on land and buildings		15,200
Provision for depreciation on machinery		8,000
Dividends paid	14,500	
General reserve		20,000
Share premium account		30,000
Revaluation reserve		50,000
Retained earnings		34,834
10% debentures		50,000
	<b>594,609</b>	<b>594,609</b>

**Additional information:**

- i) Inventory as at 31 December 2015 was valued at £25,435
- ii) Corporation tax to be made at 30% of profit before tax
- iii) A transfer of £5,000 was to be made to the general reserve.

**Required:**

- a) Prepare statement of income for the period ended 31 December 2015.

**(7 marks)**

- b) Prepare statement of financial position as at 31 December 2015.

**(8 marks)**

**QUESTION THREE**

- a) Citing relevant examples differentiate direct costs from indirect costs. (5 marks)
- b) Below is a trial balance for Mombasa Manufacturers for the period ended 31<sup>st</sup> December 2017. Finished goods are transferred from the factory at production cost.

Item	Debit	Credit
Opening stock of raw materials	44,000	
Opening stock of work in progress	7,000	
Opening stock of finished goods	7,820	
Purchases of raw materials	317,900	
Revenue		738,000
Carriage inwards	1,700	
Factory production wages	153,000	
Factory supervisory wages	25,600	
Administrative wages	46,000	
General expenses	31,200	
Factory plant & machinery	220,000	
Office fixtures and fittings	150,000	
Debtors	100,000	
Provision for bad debts		8,000
Bank	38,000	
Creditors		52,000
Drawings	40,000	
Capital		384,220
	<b>1,182,220</b>	<b>1,182,220</b>

**Additional Information**

- i) 80% of general expenses relate to the factory.
- ii) Closing stocks were \$50,000 and \$5,600 for raw materials and WIP respectively.
- iii) Depreciation of assets is on straight line basis at 10%.

**Required:**

Prepare a manufacturing account for the period ended 31<sup>st</sup> December 2017.

**(10 marks)**

**QUESTION FOUR**

Explain the following financial ratios:

- a) Profitability Ratios (3 marks)
- b) Solvency Ratios (3 marks)
- c) Capital structure Ratios (3 marks)
- d) Efficiency Ratios (3 marks)

e) Shareholder Ratios

(3 marks)

**QUESTION FIVE**

Discuss the following terms as used in Non-profit making organizations:

a) Subscriptions

(3 marks)

b) Donations

(3 marks)

c) Income from investments

(3 marks)

d) Life membership fund

(3 marks)

e) Other funds

(3 marks)

**QUESTION SIX**

a) Discuss five factors that lead to incomplete records in a business.

(10 Marks)

b) Explain four reasons for preparing a statement of cash flows as a legal requirement for a company.

(5 Marks)

