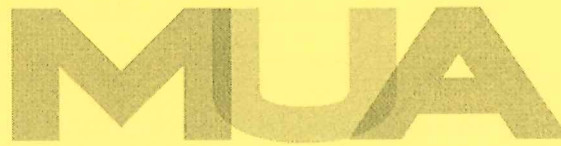


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

BCM 122 : FINANCIAL ACCOUNTING II

DATE: 5TH DECEMBER 2022

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

Below is a trial balance for Kitengela Manufacturers for the period ended 31st 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
	1,182,220	1,182,220

Additional information:

- i) As at 31 December 2017, there were accrued general expenses of \$2,000 and prepaid general expenses of \$1,200.
- ii) 80% of general expenses relate to the factory.
- iii) Closing stocks were \$50,000; \$5,600 and \$8,602 for raw materials, WIP and finished goods respectively.
- iv) Depreciation of assets is on straight line basis at 10%.

You are required to prepare:

- a) Manufacturing account for the period ended 31 December 2017 (10 marks).

- b) Trading, profit and loss account for the period ended 31 December 2017
(5 marks).
- c) Balance sheet as at 31 December 2017
(10 marks).

QUESTION TWO

- a) Partnership deed guides the operations of a partnership business. Describe how a business runs in the absence of a partnership deed
(9 marks).
- b) Citing relevant examples, contrast between direct costs and indirect costs
(6 marks).

QUESTION THREE

Below is the trial balance for Legood Ltd.

Legood Ltd		
Trial balance as at 31 December 2015		
	Debit	Credit
	£	£
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
	594,609	594,609

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.

You are required to prepare:

- a) Trading, profit & loss account for the period ended 31 December 2015 (7 marks).
- b) Balance sheet as at 31 December 2015 (8 marks).

QUESTION FOUR

a) Write short notes on the following:

- i) Subscriptions (1 mark)
- ii) Donations (1 mark)
- iii) Income from investments (1 mark)
- iv) Other funds (1 mark)
- v) Life membership fund (1 mark)

b) Explain the following ratios and what they measure:

- i) Profitability Ratios (2 marks)
- ii) Solvency Ratios (2 marks)
- iii) Capital structure Ratios (2 marks)
- iv) Efficiency Ratios (2 marks)
- v) Shareholder Ratios (2 marks)

QUESTION FIVE

Abdul's business has a stock turnover of 7 times. Average stock is £12,600. Gross profit margin is 20%. Expenses are 40% of gross profit.

Calculate:

- a) Cost of sales (3 marks).
- b) Gross profit margin (4 marks).
- c) Sales (3 marks).

- d) Total expenses (3 marks).
e) Net profit (2 marks).

QUESTION SIX

- a) Goodwill is accounted for in partnership accounts. Explain conditions under which goodwill is recorded in partnership (5 marks).
b) Incomplete records may arise in a business. Discuss factors that cause such records in a business? (10 marks).

