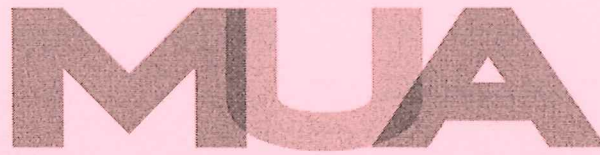


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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF COMMERCE/ BACHELOR OF
EDUCATION ARTS

BCM 122/ ACT 413: FINANCIAL ACCOUNTING II

DATE: 31ST MARCH 2025

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

Presented below is the list of ledger account balances for James and John Partnership business on 30th June 2024.

	Kshs.
Capital accounts:	
James	270,000
John	180,000
Current accounts:	
James	157,500
John	157,500
Drawings:	
James	92,250
John	69,300
Loan from James	225,000
Sales	1,800,000
Total expenses	565,875
Purchases	659,250
Bank	29,700
Accounts payable	131,625
Opening inventory	15,750
Accounts receivable	904,500
Total long-term assets	585,000
	5,843,250

Additional information as at 30th June 2024:

- i) Interest on partners' capital at 15% per annum.
- ii) Interest on drawings at 10% per annum.
- iii) Loan from James earns an interest of 20% per annum.
- iv) Partners' salaries: James Kshs. 45,000; John Kshs. 27,000 per annum.
- v) Profits and losses were shared equally.
- vi) Closing inventory was Kshs. 22,500.

Required:

- a) Prepare initial (unadjusted) trial balance for James and John Partnership business. (4 Marks)
- b) Prepare profit or loss appropriation account for the year ended 30th June 2024. (8 Marks)
- c) Prepare partners current accounts and capital accounts. (5 Marks)
- d) Prepare balance sheet as at 30th June 2024. (8 Marks)

QUESTION TWO

- a) Mephibosheth is intending to form a partnership business with his friends in the near future. Assess three factors that justify Mephibosheth's intention to form this kind of business. **(6 Marks)**
- b) Identify four differences between a private limited company and a public limited company. **(9 Marks)**

QUESTION THREE

- a) Discuss five types of manufacturing costs. **(11 Marks)**
- b) Examine two components of work in progress (WIP) as used in manufacturing accounting. **(4 Marks)**

QUESTION FOUR

With the aid of examples, discuss five classifications of the following accounting 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

Below is the Receipts and Payments Account for Anguka Nayo Club for the year 2023.

Balance b/d	30,600	Bar purchases	1,345,800
Entrance fees	12,600	Salaries expense	124,800
Subscriptions	91,500	Rent expense	50,400
Bar Sales	1,568,100	Electricity expense	39,300
		Printing expenses	9,900
		Insurance expense	4,800
		Office expense	13,800
		Balance c/d	114,000
	1,702,800		1,702,800

Additional information:

- 1) Opening balances on 1st January 2023 were:
 - i. Accumulated fund of \$ 280,200
 - ii. Bar stock of \$ 81,600
 - iii. Furniture of \$ 168,000
- 2) Closing balances on 31st December 2023 were:
 - i. Bar stock was \$ 94,500.
 - ii. Prepaid insurance expense was \$ 2,100
 - iii. Prepaid subscription income was \$ 12,000.
- 3) The club's depreciation of furniture is at the rate of 10% on cost per annum.

Required:

- a) Prepare a bar trading account for the year ended 31 December 2023.

(3 Marks)
- b) Prepare income and expenditure account for the year ended 31 December 2023.

(6 Marks)
- c) Prepare balance sheet as at 31 December 2023.

(6 Marks)

QUESTION SIX

a) The balance sheets for R Lester are as follows:

	31.12.2017			31.12.2018		
	£	£	£	£	£	£
Fixed assets						
Equipment at cost			28,500			26,100
Less Total Depreciation			(11,450)			(13,010)
			<u>17,050</u>			<u>13,090</u>
Current assets						
Stock		18,570			16,250	
Debtors	8,470			14,190		
Less Bad debts provision	(420)	8,050		(800)	13,390	
Cash and bank balances		<u>4,060</u>			<u>3,700</u>	
		30,680			33,340	
Less Current liabilities						
Creditors		(4,140)	26,540		(5,730)	27,610
Net assets			<u>43,590</u>			<u>40,700</u>
Financed by:						
Capital	35,760			33,590		
Add Net profit	10,240			11,070		
Add Cash introduced	-	46,000		600	45,260	
Less Drawings		<u>(12,410)</u>	33,590		<u>(8,560)</u>	36,700
Non-Current liabilities						
Loan from J Gorsey			10,000			4,000
Net assets			<u>43,590</u>			<u>40,700</u>

Additional Information:

- i) Equipment with a book value of £1,350 was sold for £900.
- ii) Depreciation written off for equipment during the year was £2,610.

Required:

Prepare a cash flow statement using indirect method.

(8 Marks)

- b) Discuss three factors that may cause incomplete records in modern businesses?

(7 marks)

