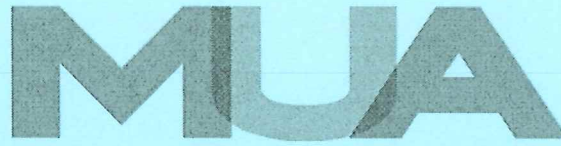


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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

BCM 122 : FINANCIAL ACCOUNTING II

DATE: 31<sup>st</sup> march 2023

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**

Blessings Ltd has provided you with the following account balances:

	<b>Kshs.</b>
Furniture	100,800
Provision for depreciation on Furniture	9,600
Vehicles	324,000
Provision for depreciation on Vehicles	18,240
Sales	324,132
Purchases	145,600
Stock as at 1 July 2020	30,791
Salaries	38,779
Administration expenses	11,996
Directors' salaries	14,400
Debtors	23,796
Creditors	19,758
Bank	5,969
Dividends paid out	17,400
Issued ordinary share capital:	
120,000 ordinary shares at £1	120,000
General reserve	24,000
Share premium account	36,000
Revaluation reserve	60,000
Retained Profit	41,801
5% debentures	60,000
	<b>1,427,062</b>

**Additional information:**

- 1) Stock as at 30 June 2021 was valued at Kshs. 30,522
- 2) Depreciation is to be charged as follows:
  - i) Furniture depreciated at a rate of 10% using reducing balance
  - ii) Vehicles depreciated at a rate of 10% on cost
- 3) Debenture interest hasn't been paid
- 4) Kshs. 10,000 of retained earnings to be transferred to general reserve.
- 5) Profit to be taxed at a rate of 30%

**Required:**

- a) Extract a trial balance as at 30 June 2021 **(5 Marks).**

b) Prepare trading, profit and loss account for the period ended 30 June 2021  
(10 Marks).

c) Prepare balance sheet as at 30 June 2021 (10 Marks).

### QUESTION TWO

Explain the following ratios and what they measure:

- 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 THREE

The trial balance of X and Y partnership on 31 Dec 2019 is provided as follows.

	Kshs.	Kshs.
Sales	-	1,800,000
Opening inventory	15,750	-
Purchases	659,250	-
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 are to be shared equally

- ii) Interest on partners' capital at 15% per annum
- iii) Interest on drawings at 10% per annum
- iv) Partners' salaries: X Kshs. 45,000; Y Kshs. 27,000 per annum
- v) Loan from partner X earns an interest of 20% per annum
- vi) Closing inventory on 31 Dec 2019 was Kshs. 22,500

**Required:**

- a) Discuss four differences between companies and partnerships (8 marks)
- b) Prepare X & Y trading, profit and loss appropriation account for the year ended 31 December 2019 (7 marks)

**QUESTION FOUR**

Below is a trial balance for Haki Manufacturers for the period ended 30 June 2017. Finished goods are transferred from the factory at production cost plus 15%.

Item	Debit (\$)	Credit (\$)
Opening stock of raw materials	66,000	
Opening stock of work in progress	10,500	
Opening stock of finished goods at transfer price	11,730	
Purchases of raw materials	476,850	
Revenue		1,107,000
Carriage inwards	2,550	
Factory production wages	229,500	
Factory supervisory wages	38,400	
Administrative wages	69,000	
General expenses	46,800	
Factory plant & machinery	330,000	
Office fixtures and fittings	225,000	
Debtors	150,000	
Provision for bad debts		12,000
Bank	57,000	-
Creditors	-	78,000
Drawings	60,000	-
Capital	-	576,330
	<b>1,773,330</b>	<b>1,773,330</b>

**Additional information**

- i) As at 30 June 2017, there were accrued general expenses of \$3,000 and prepaid general expenses of \$1,800. 80% of general expenses relate to the factory.
- ii) Closing stocks were \$75,000; \$8,400 and \$12,903 for raw materials, WIP and finished goods at transfer price respectively.
- iii) Depreciation of assets is on straight line basis at 10%.

**Required:**

- a) Prepare Haki manufacturing account for the period ended 30 June 2017  
(10 Marks).
- b) Prepare Haki Manufacturers trading, profit and loss account for the period ended 30 June 2017  
(5 Marks).

**QUESTION FIVE**

Mkenya'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) Discuss the following classifications of cash flows:
  - i) Operating activities (3 Marks)
  - ii) Investing activities (3 Marks)
  - iii) Financing activities (3 Marks)
- b) IAS 7 requires an entity to prepare a statement of cash flows. Justify the importance of this requirement (6 Marks).

