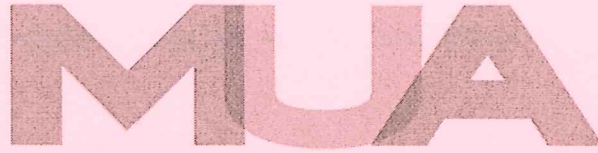


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

BCM 122 : FINANCIAL ACCOUNTING II

DATE: 8TH AUGUST 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

Provided below is the trial balance for Excellence Co. Ltd as at 31st December 2021.

	Debit Kshs	Credit Kshs
Issued share capital	-	900,000
General reserves	-	120,000
Share premium reserves	-	180,000
Revaluation reserves	-	300,000
Retained profit	-	122,004
Debentures	-	300,000
Land and buildings	1,620,000	-
Provision for depreciation - Land & buildings	-	91,200
Machinery	504,000	-
Provision for depreciation - Machinery	-	48,000
Debtors	118,980	-
Creditors	-	98,790
Bank	29,844	-
Sales	-	1,320,660
Purchases	727,998	-
Stock	153,954	-
Salaries expenses	193,896	-
Office expenses	59,982	-
Directors' salaries	72,000	-
	3,480,654	3,480,654

Additional information:

- i) Stock was valued at Kshs 152,610 on 31st December 2021.
- ii) Assume there is no corporation tax to be paid.
- iii) Dividend payment of Kshs 87,000 was announced to shareholders in an annual general meeting.

Required:

- a) Identify the differences between a private limited company and a public limited company. (5 Marks)
- b) Prepare a statement of profit or loss for the period ended 31st December 2021. (10 Marks)
- c) Prepare a statement of financial position as at 31st December 2021. (10 Marks)

QUESTION TWO

- a) Examine three categories of ratios under ratio analysis. (7 Marks)
- b) Below is the statement of profit or loss for Exotica Co. Ltd.

Exotica Co. Ltd		
Statement of Profit or Loss for the year ended 31.12.2015		
	Shs	Shs
Sales		170,000
Less Cost of Sales		
Opening inventory	19,900	
Add purchases	<u>111,900</u>	
	131,800	
Less Closing inventory	<u>(29,800)</u>	<u>(102,000)</u>
Gross profit		68,000
Less expenses		
Transport expenses	6,000	
Salary expenses	27,000	
Depreciation expense	<u>2,000</u>	<u>(35,000)</u>
Profit before interest & taxes		33,000
Less interest		<u>(3,000)</u>
Profit before tax		30,000
Less corporation tax		<u>(15,000)</u>
Profit after tax		15,000
Less dividends		<u>(3,000)</u>
Retained earnings for the year		<u>12,000</u>

Additional Information

Total assets are worth Kshs 116,000.

Calculate the following ratios:

- i) Gross profit ratio (2 Marks)
- ii) Operating profit ratio (2 Marks)
- iii) Net profit margin (2 Marks)
- iv) Return on investment (2 Marks)

QUESTION THREE

- a) Abiud is intending to form a partnership business with his friends in the near future. Assess four factors that justify Abiud's intention to form this kind of business. (9 Marks)
- b) Differentiate a partnership business from a sole proprietorship. (6 Marks)

QUESTION FOUR

- a) Giving examples, contrast between factory overheads and prime costs. (5 marks)
- b) You are provided with the following trial balance for Cereals Manufacturers Ltd for the period ended 31st December 2020. Finished goods are transferred at production cost plus 15%.

Item	Debit (Kshs)	Credit (Kshs)
Inventory of raw materials on 01.01.2020	165,000	
Inventory of work in progress on 01.01.2020	26,250	
Purchases of raw materials	1,192,125	
Carriage inwards	6,375	
Factory production wages	573,750	
Factory supervisory wages	96,000	
Factory general expenses	96,000	
Factory plant & machinery	825,000	
Bank	142,500	
Creditors		195,000
Capital		2,928,000
	3,123,000	3,123,000

Additional information

- i) Year-end inventories for raw materials & work in progress were Kshs 187,500 & Kshs 21,000 respectively.
- ii) Depreciation of assets is on straight line basis at 10%.

Required:

Prepare Cereals Ltd manufacturing account for the period ended 31st December 2020. (10 Marks)

QUESTION FIVE

Provided below is the trial balance for Country Club for the year ended 31st December 2022.

	Debit	Credit
Bank	114,000	
Bar purchases	1,345,800	
Salaries expense	124,800	
Rent expense	50,400	
Accumulated fund		280,200
Bar stock	81,600	
Furniture	168,000	
Entrance fees		12,600
Subscriptions		91,500
Bar Sales		1,568,100
Electricity expense	39,300	
Stationery expense	9,900	
Insurance expense	4,800	
Office expense	13,800	
	1,952,400	1,952,400

Additional information as at 31st December 2022:

- i) Bar stock was Shs 94,500.
- ii) Prepaid insurance expense was Shs 2,100 and prepaid subscription income was 12,000.
- iii) 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 31st December 2022. (5 Marks)
- b) Prepare income and expenditure account for the year ended 31st December 2022. (10 Marks)

QUESTION SIX

- a) With the help of examples, explain the following terms as used in statement of cash flows:
 - i) Non-cash items. (2 Marks)
 - ii) Prepayments. (2 Marks)
 - iii) Accruals. (2 Marks)

b) Discuss four circumstances that result in an incomplete records situation.

(9 Marks)