

The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

**DEGREE OF BACHELOR OF COMMERCE, BACHELOR OF ARTS IN
DEVELOPMENT STUDIES AND BACHELOR OF MANAGEMENT AND
LEADERSHIP**

BML 100/BCM 114 : FINANCIAL ACCOUNTING

DATE: 10TH 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

The following are extracted balances from Machogu's business accounts along with other information relating to the business's year end on 31st December 2022.

	Kshs
Machinery at cost	100,000
Sales Revenue	59,000
Motor Vehicles at cost	50,000
Purchases	25,000
Trade Receivables	13,500
Trade Payables	12,500
Accumulated for depreciation:	
Machinery	10,000
HM Revenue and Customs: VAT (owing)	7,750
Accumulated depreciation: Motor Vehicles	5,000
Water and Utilities	4,500
Inventory as at 1 st January 2022	3,500
Wages and Salaries	3,500
Rent	3,000
Bank (in funds)	1,800
Purchases Returns	1,355
Business Rates	1,250
Bad Debts written off	1,150
Sales Returns	1,250
Discounts Allowed	950
Cash in Hand	760
Drawings	750
Discounts Received	550
Capital as at 1 st January 2022	?

Additional Information

- i. The year-end net profit is £7,105.
- ii. The rent figure includes £600 relating to January, February and March 2023.
- iii. The machinery still has to be depreciated at year end by 10% using straight line method.
- iv. There were unpaid wages and salaries at year end 31st December 2022 of £800.
- v. Stock take at year end 31st December 2022 valued inventory at £5,000.

- vi. Motor vehicles need year end depreciation (using diminishing/reducing balance method at 10%).

Required

- a) Compute the value of capital as at 1st January 2022 (2 Marks).
 b) Prepare a trial balance as at 1st January 2022 (11 Marks).
 c) Prepare a statement of financial position as at 31st December 2022 (12 Marks).

QUESTION TWO

The trial balance for A & B Partnership is given as follows:

A & B Partnership		
Trial Balance as at 30th June 2013		
	Kshs	Kshs
Buildings	562,500	
Provision for depreciation: Buildings		187,500
Fixtures at cost	82,500	
Provision for depreciation: Fixtures		24,750
Debtors	121,823	
Creditors		83,625
Cash at bank	5,078	
Stock at 30 June 2003	314,843	
Net profit		82,463
Provision for bad debts		3,000
Loan from J Working		300,000
Capitals: A		262,500
B		221,250
Current accounts: A		9,795
B		2,235
Drawings: A	48,000	
B	42,375	
	1,177,118	1,177,118

Additional information

- Stock on 30 June 2013 Kshs 422,550
- Depreciate fixed assets at 10 per cent on straight line method. This was not factored in calculating net profit.
- Partnership salary to A: Kshs 6,000

- iv. Interest on drawings: A Kshs 1,350; B Kshs 900.
v. Interest on capital account balances at 10 per cent.

Required:

- a) Differentiate between a sole trade and a partnership (6 Marks).
b) Prepare a partnership appropriation account for the period ended 30 June 2013 (5 Marks).
c) Prepare partners' capital and current accounts (4 Marks).

QUESTION THREE

XYZ Ltd has provided the following trial balance.

XYZ Ltd		
Trial balance as at 30 June 2020		
	Debit	Credit
	£	£
Furniture	100,800	
Provision for depreciation on Furniture		9,600
Motor vehicles	324,000	
Provision for depreciation on Motor vehicles		18,240
Sales		324,132
Purchases	145,600	
Stock as at 1 July 2019	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 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
	713,531	713,531

Additional Information:

- 1) Stock as at 30 June 2020 was valued at £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) \$10,000 of retained earnings to be transferred to general reserve.
- 5) Profit to be taxed at a rate of 30%

Required

- a) Prepare a trading, profit and loss account for the period ended 30 June 2020
(7 Marks)
- b) Prepare a balance sheet as at 30 June 2020
(8 Marks)

QUESTION FOUR

The following are financial statements for Baraka Ltd.

Baraka Ltd		
Profit and Loss Account for the year ended 31.12.16		
	Shs	Shs
Sales		1,275,000
Less: Cost of Sales		
Opening inventory	149,250	
Purchases	839,250	
	988,500	
Less Closing inventory	223,500	765,000
Gross profit		510,000
Less Expenses		
General expenses	202,500	
Salaries	45,000	
Depreciation expense	15,000	262,500
Earnings before interest & tax		247,500
Interest		22,500
Earnings before tax		225,000
Corporation tax (30%)		67,500
		157,500
Less ordinary dividend		

(0.75 per share * 30,000 shares)		22,500
Retained profit for the year		135,000

Baraka Ltd			
Balance Sheet as at 31 December 2016			
Non-Current Assets	Shs	Shs	Shs
Vehicles			375,000
Furniture			120,000
			495,000
Current Assets			
Inventory		223,500	
Receivables	112,500		
Less provision for bad debts	6,000	106,500	
Cash		45,000	
		375,000	
Less Current Liabilities			
Payables		150,000	225,000
			720,000
Financed by:			
Issued share capital			
(30,000 share of Shs 10)			300,000
Reserve			135,000
Retained earnings			135,000
Long Term Liabilities			
Long term loan			150,000
			720,000

a) Calculate the following ratios:

- i. Current ratio (3 Marks).
- ii. Cash ratio (3 Marks).
- iii. Debt ratio (3 Marks).
- iv. Creditors turnover (3 Marks).
- v. Return on investment (ROI) (3 Marks).

QUESTION 5

- a) Explain the need for preparing a trial balance in accounting (3 Marks).
- b) Discuss any three errors that don't affect the trial balance (6 Marks).
- c) The accounting conventions guide on preparation of financial statements. Explain any three accounting conventions (6 Marks).

QUESTION 6

- a) Control accounts are so called because they control a section of the ledgers. Examine two main categories of control accounts (6 Marks).
- b) A balance sheet expresses an accounting equation. Giving examples, discuss three elements of an accounting equation (9 marks).

