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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2016/2017 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)**

Date: 10th August, 2016.
Time: 5.30pm – 7.30pm

KAC 101 - PRINCIPLES OF ACCOUNTING II

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Define a non trading organisation and identify two ways in which it raises its finances. (3 Marks)
- b) Define a partnership business and give two types of partners. (3 Marks)
- c) Explain each of the following;
- i). Appropriation of profits and loss account
 - ii). Accumulated fund
 - iii). Working capital
 - iv). Partnership deed
 - v). Good will
 - vi). Cummulative preference shares
- (12 Marks)
- d) On 1/1/2012 A.B LIMITED issued 100,000 ordinary shares of par value sh 10 each at sh 13 and received a cheque. Required ;
- Open the necessary ledger accounts and post the above transactions. (6 Marks)
- e) Distinguish between bonus issue and rights issue of shares. (4 Marks)
- f) State two sources of cash in a business. (2 Marks)

QUESTION TWO (20 MARKS)

a) The following is the receipts and payments of Kibero Golf club for the year ended 31st december 2013.

<u>RECEIPTS</u>	<u>PAYMENTS</u>
KSHS	KSHS
Balance b/d	Bar purchases
700,000	150,000
Subscriptions	Rates and insurance
1200,000	60,000
Receipts from bar	Golf tournament tickets purchased
315,000	170,000
Ticket sale from golf tournament	Equipment(cost)
300,000	600,000
	Salaries
	83,000
	Balance c/d
	1,452,000
<u>2,515,000</u>	<u>2,515,000</u>

Additional information;

Accrued salaries amounted to kshs.16000

Prepaid rates and insurance amounted to kshs.8000

Subscription in arrears amounted to kshs.18,000

Equipment is to be depreciated at the rate of 12% per annum

- i). Required to prepare the income and expenditure account for the year ended 31st december 2013.
 - ii). Prepare an extract of the club's balance sheet as at december 2013. (12 Marks)
- b) Explain and illustrate the distinguishing features of provisions, reserves,prepayments and accruals. (8 Marks)

QUESTION THREE (20 MARKS)

Smith and Alex are partners sharing profits and losses in ratio of 2:1 respectively. The following is their Trial balance as on 30 June 2013.

TRIAL BALANCE

	SH	SH
Stock 1st july 2012	50020	
Purchases and sales	82360	143000
Returns inwards and outwards	3060	1600
Wages	25750	
Discounts allowed and received	850	1200
Insurance	1750	
Heating and lighting	3840	
Salaries	7240	
Carriage outwards	2710	
Trade expenses	720	
Loan interest	1000	
Cash in hand	550	
Cash at bank	3700	
Debtors and creditors	22,480	19550
Loan from industrial bank		20,000
Machinery, 1st july 2012	30,000	
Machinery bought on 1st jan 2013	5000	
Land and building	32000	
Good will	3000	
Capital: Smith		57000
Alex		43000
Current account: Smith		4000
Alex	1000	
Drawings: smith	8320	
alex	4000	
	<hr/>	
	289350	289350

Additional information;

- i). Stock on 30th june 2013 was valued at sh.47,000
- ii). On 30th june 2013 shs.1250 was owing for wages
- iii). Allow 10% per annum depreciation on machinery

Required; using the vertical format prepare;

- a) Income Statement and appropriation account for year ended 30th june 2013
- b) Partners current account
- c) Firm's Balance sheet as at 30th june 2013

QUESTION FOUR (20 MARKS)

The following list of balances at 31st March, 2014 was extracted from the books of Greater Bargains Limited .

	\$
Ordinary share capital –ordinary shares of \$ 1 each fully paid	200,000
Share premium account	20,000
Retained earnings at 31st March 2013	15,000
Cost of goods sold	350,000
Rates, light and heat	11,400
Telephone and postage	5,600
Salaries	21,000
Director’s emoluments	2,000
Motor vehicle expenses	24,100
Sales	500,000
Debtors	21,700
Stock in trade at cost	38,000
Freehold property at cost	140,000
Fixtures and fittings at cost	120,000
Provision for depreciation	72,000
Motor vehicle at cost	80,000
Provision for depreciation	16,000
Balance at bank	7,000
Creditors	
	7,800

Additional information;

- i). The authorised capital of Greater Bargains is \$ 250,000
- ii). The company’s freehold property was valued at \$ 190,000 on march 2014 ,the company’s board of directors has decided that this valuation should be reflected in the accounts .
- iii). Rates ,light and heat charges prepaid at 31/march 2014 amounted to \$ 2300
Accrued charges at 31/3/2014 were:

	\$
Telephone and postages	900
Motor vehicles	300
- iv). Depreciation is provided annually on the cost of fixed assets held at the end of accounting period as follows :

Fixtures and fittings	5%
Motor vehicles	20%
- v). In February 2014 the company sold a motor vehicle which had been bought for \$ 8,000 in 2011 .the only entry in the company’s books of accounting relating to the sale concerns the receipt of sales proceeds of \$ 1500 which have been credited to motor expenses.
- vi). The directors are recommending that dividends of 15% be paid on ordinary shares for the year 31/3/2014.

Required;

- a) Prepare trading, profit and loss appropriation account for the year ended 31 st march 2014. (10 Marks)
- b) Prepare balance sheet as at that date. (10 Marks)

QUESTION FIVE (20 MARKS)

Isaac deals with a single product Apex that had the following data for the month of March 2013
Opening stock at March 2013 was 100 units valued at shs.2 per unit.

Purchases for March 2013.

Date	Units	Unit price (shs.)
3/3 13	400	2.10
9/3/13	300	2.20
18/3/13	100	2.40

Sales for March 2013

Date	Units
4/3/13	200
11/3/13	400
20/3/13	100

All the units were sold for shs.8

Required;

- a) Prepare a stores ledger card on FIFO System of stock valuation. (8 Marks)
- b) Prepare trading account for the month of march 2013. (8 Marks)
- c) State four objectives of stock control in an organisation. (4 Marks)