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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: 3.30pm – 5.30pm

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 company and explain how limited companies are formed in Kenya. (3 Marks)
- b) Define a non trading organisation and give two reasons for their formation. (3 Marks)
- c) Explain each of the following; (12 Marks)
- i) Accumulated fund
 - ii) Working capital
 - iii) Partnership deed
 - iv) Share premium
 - v) Corporation tax
 - vi) Preference shares
- d) On 1/1/2012 XYZ COMPANY LIMITED sold 20000 ordinary shares of par value sh 10 each at sh 15 on cash basis and on 1/1/2012 sold 10000 8% preference shares of par value sh.5 each at sh 10 each on cash basis.
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 methods of calculating annual depreciation of fixed assets. (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)

The Following Trial Balance was extracted from Isaac and Beatrice partnerships for the year ended 31/12/11. The partners share the profits and losses equally.

	SHS.	SHS.
Sales		38,000
Returns inwards	1000	
Opening stock (1/1/11)	6000	
Purchases	12,000	
Carriage inwards	500	
Electricity expenses	800	
Cash	5000	
Drawings; isaac	1000	
Beatrice	800	
Bank overdraft		2000
Motor vehicle	13000	
Debtors	15200	
Creditors		10,400
Discount allowed	1800	
Capital; Isaac		7000
Beatrice		5700
Salary expenses	<u>6000</u>	
	<u>63100</u>	<u>63100</u>

Additional information;

- i) Value of closing stock sh 2500
- ii) Interest to be charged on drawing 20%
- iii) Interest on capital 10% p.a.
- iv) Salaries paid include partners salaries as follows; Isaac sh 1200, Beatrice shs.800
- v) Bad debts to be written off sh 1400

Required; using the vertical format;

- a) Income Statement for the period 31/12/11
- b) Partners current account
- c) Balance Sheet as at 31/12/11

QUESTION FOUR (20 MARKS)

The following list of balances at 31st March 2010 was extracted from the books of Greater Bargains Limited

Ordinary share capitals-Ordinary	£
Shares of £1 each, fully paid	200,000
Share premium account	20,000
Retained earnings at 31st March 2009	15,000
Cost of goods sold	350,000
Rates, light and heat	11,400
Telephone and postage	5,600
Salaries	21,000
Directors and Monuments	12,000
Motor vehicles	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:fixtures and fittings	72,000
Motor vehicle at cost	80,000
Provision for depreciation:motor vehicle	16,000
Balance at bank	7,000
Creditors	7,800

Additional information;

- a) The authorised capital of Greater Bargains Limited is £250,000
- b) The company's freehold property was valued at £190,000 on 31st March 2010, the company board of directors has decided that this valuation should be reflected in the accounts
- c) –Rates light and heat charges prepaid at 31st March 1990 amounted to £2,300
–Accrued charges at 31st March 2010 were :
Telephone and postage £900
Motor Vehicle expenses £300
- d) Depreciation is to be provided annually on the cost of fixed assets held at the end of the accounting year as follows:-
Fixtures and fittings 5%
Motor vehicle 20%
- e) In February 2010 the company sold a motor vehicle which had been bought for £8,000 in January 2007. The only entry in the company's books of account relating to the sale concerns the receipt of the sales proceeds of £1,500 which had been credited to motor vehicle expenses
- f) The directors are recommending that a dividend of 15% be paid on the ordinary shares for the year ended 31st March 2010:

Required;

Prepare Income Statement for the period ended 31st March 2010 and a Balance Sheet as at that date for Greater Bargains Limited.

QUESTION FIVE (20 MARKS)

The following information relate to item S.007 stocked by Millenium Development limited for the month of October 2015.

Date	Details	Quantity	Unitcost (Shs.)
2	Receipts	2,600	18
4	Issues	3,400	
7	Receipt	2,800	20
12	Issues	2,900	
16	Receipts	3,200	22
18	Receipts	2,900	21
21	Issues	2,300	
25	Receipts	2,850	22
26	Issues	4,050	
27	Receipts	3,300	24
28	Issues	2,600	
29	Receipts	3,350	25
30	Issues	7,050	

The closing balance for the month of September 2015 was a batch of 3,100units recieved at a unit price of Shs.19

Required;

Prepare a store ledger Card for item S.007 for the month of October under the FIFO system of stores valuation .