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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**FIRST YEAR, FOURTH SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN ACCOUNTING**  
**DAC 1505: ADVANCED FINANCIAL ACCOUNTING**

Date: 6<sup>TH</sup> DECEMBER 2023

Time: 2:30PM-4:30PM

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) The objective of financial accounting is to prepare financial statements about an entity useful to make informed financial decisions. Identify THREE users and explain how the financial statements is useful to them. (6 Marks)
- b) Identify and explain four ethical requirements of a professional accountant as per the IFAC code of ethics (8 Marks)
- c) Highlight the nature of partnership business. (4 Marks)
- d) List THREE features of single entry system (3 Marks)
- e) Ann operates a medium sized restaurant in Hunters trading centre. Her trial balance had a credit balance difference of Sh 181,900. She has approached you as accounting student to find the difference and prepare proper accounts. Your investigation reveal that
- Rates account is overcast by sh 42,800
  - Sales account undercast by sh 214,000
  - Payment made to Peter a creditor for sh 74,900 had been entered in the cash book only.
  - Sales of goods on credit to Stella for sh 96,300 had been entered in both accounts as sh 115,560

**Required**

- i. Journal entries to correct the errors (4 Marks)
- ii. Suspense account duly balanced (5 Marks)

**QUESTION TWO (20 MARKS)**

Peter and John are in partnership sharing profit at a ratio of 60%:40% respectively. The following trial balance was extracted at 31 December 2021

	Dr	Cr
	Sh	Sh
Office Equipment at cost	552,000	
Motor vehicle at cost	1,284,000	
Provision for Depreciation at 1.1.2021		
Office equipment		216,000
Motor vehicle		768,000
Inventory at 1.1.2021	2,304,600	
Accounts receivable and accounts payable	2,516,400	1,932,960
Cash at Bank	127,080	
Cash in hand	19,020	
Sales		10,824,000
Purchases	8,200,800	
Salaries	1,644,000	
Office expenses	127,800	
Discount allowed	18,720	
Current Accounts 1.1.2021		
Peter		442,920
John		420,540
Capital accounts		
Peter		3,000,000
John		1,200,000
Drawings		
Peter	1,050,000	
John	960,000	
	<b>18,804,420</b>	<b>18,804,420</b>

**Additional Information**

- Inventory at 31 December 2021 – Sh 2,478,720
- Office expenses owing Sh. 14,400
- Depreciation on cost : Motor vehicle 25% straight line  
Office equipment 20% straight line
- Interest on capital – 5%
- Interest on drawings – 2%

**Required**

- i.) Prepare Income Statement and appropriation account for the year ending 31 December 2021 (10 Marks)
- ii.) Show appropriation account for the year ending 31 December 2021 (5 Marks)
- iii.) Partners Current account as at 31 December 2021 (5 Marks)

**QUESTION THREE (20 MARKS)**

The following trial balance has been extracted from the books of Ben Traders at the close of business on 31 December 2021

	Dr	Cr
	Sh	Sh
Sales		1,636,350
Allowance for doubtful debts		5,985
Discounts	13,800	10,500
Other operating expenses	299,400	
Salaries and wages	231,150	
Cash in hand	39,225	
Cash in bank	121,950	
Capital		990,540
Purchases	814,125	
Carriages	98,325	
Returns	33,675	80,400
Inventory 1 January 2021	93,900	
Trade receivables and payables	159,000	119,025
Motor vehicle	900,000	
Provision for depreciation on Motor vehicle at 01 January 2021		324,000
Furniture and fitting -at cost	724,500	
Provision for depreciation on furniture and fittings at 01 January 2021		362,250
	<b>3,529,050</b>	<b>3,529,050</b>

**Additional Information**

- Inventory at at 30 June 2021 was valued at Sh 106,500
- Depreciation was as follows: Furniture and fittings 10% straight line  
: Motor vehicles 20% reducing balance
- Included in Other operating expenses are prepaid insurance of Sh 5,400 and electricity owing amounting to Sh 7,650
- Carriages include carriage on purchases amounting to Sh 70,950
- Allowances for bad and doubtful debts was adjusted to 3% of the trade receivables balance at year end

**Required**

- i) Income statement for the year ended 31 December 2021 (11 Marks)
- ii) Statement of financial position as at 31 December 2021 (9 Marks)

**QUESTION FOUR (20 MARKS)**

The following details of transactions relate to Levy Shop for the year ended 31 December 2021

## a) Cash Transaction details

	Bank Transactions		Cash Transactions	
	Sh	Sh	Sh	Sh
Balance b/d		33,900		1,920
Receipts from debtors		<u>288,000</u>		<u>81,000</u>
<b>Cash Available</b>		<b>321,900</b>		<b>82,920</b>
<b>Payments</b>				
To suppliers	189,600		-	
<u>Expenses:</u>				
Rent	22,800		2,400	
General Expense	9,300		-	
Drawings	<u>-</u>		<u>78,000</u>	
<b>Total Payments</b>	<b>221,700</b>	<b><u>(221,700)</u></b>	<b>80,400</b>	<b><u>(80,400)</u></b>
<b>Balance c/d</b>		<b><u>100,200</u></b>		<b><u>2,520</u></b>

## b) Other information are available as follows:

	31.12.2020	31.12.2021
	Sh	Sh
Accounts receivable	33,000	39,600
Accounts payable for goods	9,600	15,600
Inventory	38,160	40,800

## c) The only non-current asset consists of fixtures which were valued at 31 December 2020 at Sh 33,000. These are depreciated at 10% per annum.

**Required**

- i) Statement of affairs as at 1 January 2021 (5 Marks)
- ii) Income statement for the year ended 31 December 2021 (8 Marks)
- iii) Statement of financial position as at 31 December 2021 (7 Marks)

**QUESTION FIVE (20 MARKS)**

The following Trial Balance relate to Benjo Manufacturers

	Dr	Cr
	Sh	Sh
Stock of raw materials 1.1.2021	210,000	
Stock of finished goods 1.1.2021	389,000	
Work in progress 1.1.2021	135,000	
Direct Wages	1,800,000	
Factory Indirect wages	1,450,000	
Carriage inwards (on raw materials)	35,000	
Purchase of raw materials	3,700,000	
Factory Machinery (cost 3,000,000)	2,400,000	
Office Equipment (Cost 300,000)	240,000	
General factory expenses	310,000	
Lighting	75,000	
Factory power	137,000	
Administrative salaries	440,000	
Sales Representative salaries	300,000	
Commission on sales	115,000	
Rent	120,000	
Insurance	42,000	
General administrative expenses	134,000	
Bank charges	23,000	
Discount allowed	48,000	
Carriage outwards	59,000	
Sales		10,150,000
Debtors and creditors	1,423,000	1,250,000
Cash at Bank	568,000	
Cash in Hand	15,000	
Drawings	200,000	
Capital 1.1.2021		2,968,000
	<b>14,368,000</b>	<b>14,368,000</b>

**Additional Information**

- Stock of Raw Materials Sh 240,000, Stock of finished goods Sh 400,000 and work in progress Sh 150,000.
- Lighting, rent and insurance are to be apportioned: factory  $\frac{5}{6}$ <sup>th</sup>, administration  $\frac{1}{6}$ <sup>th</sup>.
- Depreciation on factory machinery and office equipment at 10% per annum on cost

**Required**

- i. Prepare a manufacturing account for the year ended 31 December 2021 (10 Marks)
- ii. Income statement for the year ended 31 December 2021 (10 Marks)