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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR**  
**SECOND YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN ACCOUNTING**

Date: 11<sup>th</sup> April, 2024  
Time: 11.30am –1.30pm

**DAC 1505 – ADVANCED FINANCIAL ACCOUNTING**

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Members of Institute Certified public Accountants of Kenya are required to adhere to code of ethics for professional accountants' code developed by IFAC to protect public interest. Identify and explain the three code of ethics for professional accountants. **(6 marks)**
- b) The following statement of financial position of Yusufu Traders prepared on 31 September 2023 failed to agree and the difference placed under suspense account.

Yusufu Traders  
Statement of financial position  
30 September 2023

<i>Non-Current Assets</i>	Shs	Shs
Furniture		80,000
Motor vehicle		<u>270,000</u>
		<b>350,000</b>
<i>Current Assets</i>		
Stocks	20,000	
Debtors	30,000	
Cash	6,000	
Bank	<u>9,000</u>	<u>65,000</u>
<i>Total Assets</i>		415,000
<i>Less: Current Liabilities</i>		
Creditors	50,000	
Suspense	12,000	<u>(62,000)</u>
<b>Net Assets</b>		<b><u>353,000</u></b>
Capital		457,000
Profit and loss		<u>(40,000)</u>
		<b>417,000</b>
Drawings		<u>(64,000)</u>
		<b><u>353,000</u></b>

The following errors were discovered:

- Furniture bought for Sh 30,000 was entered in the purchases account.
- Sales were undercast by Sh 18,000
- Goods returned by a customer worth Sh 3,000 had not been posted to the account of the debtor.
- Cash drawings of Sh 5,000 were omitted from the books
- Goods bought on credit for Sh 12,000 were entered in the account of a creditor as Sh 21,000.

Required

- i) Journal entries to correct the above errors (5 marks)
- ii) Suspense account duly balanced (3 marks)
- iii) Corrected statement of financial position (8 marks)
- c) During the year ended 31 December 2023 the bank statement of Kaputie Enterprises showed a balance of Sh 862,200 while the cash book showed a debit balance of Sh 841,400. On further investigation the following was discovered.
- Cheques given to suppliers worth Sh 42,500 which had not been presented to the bank.
  - Cheques received from customers worth Sh 21,700 which had not been banked.
- Required: Bank** reconciliation statement (4 marks)
- d) Highlight four advantages of adopting international accounting standards and international financial reporting standards in preparation of financial statements (4 marks)

### **QUESTION TWO (20 MARKS)**

Menet operates a manufacturing business as Menet Enterprises. The following trial balance as at 31 December 2023 is as follows.

	Sh'000	Sh'000
Factory Building at cost	6,000	
Plant and machinery at cost	12,000	
Land at cost	18,000	
Motor vehicle at cost	3,600	
<b>Accumulated Depreciation</b>		
Factory building		600
Plant and machinery		4,800
Motor vehicle		1,440
Sales		157,715
Purchase of Raw materials	90,000	
Direct factory wages	18,000	
Other factory costs	5,100	
Administration and selling expense	18,450	
Carriage inward on Raw material	900	
Debtors and creditors	1,580	1,200
Bank balance	7,725	
<b>Stock 1 January 2023</b>		
Raw material	3,000	
Work in progress	4,800	
Finished goods	3,600	
On Capital as at 31/12/23		27,000
	<b>192,755</b>	<b>192,755</b>

### Additional Information

- Stock as at 31 December 2023 is valued as follows

	Sh'000
Raw materials	5,250
Work in progress	6,750
Finished goods	6,000

- Depreciation is to be provided as follows

Factory Building	2.5% at cost	Factory
Motor vehicle	20% at cost	Office
Plant and Machinery	10% at cost	Factory

- 1/5 of staff salaries is apportioned to the factory

### Required

- Manufacturing account for the ear ended 31 December 2023 **(6 marks)**
- Income statement for the ear ended 31 December 2023 **(6 marks)**
- Statement of financial position as at 31 December 2023 **(8 marks)**

### QUESTION THREE (20 MARKS)

The following trial balance has been extracted from the books of Highway Traders at the close of business on 30 June 2023

	Dr	Cr
	Sh	Sh
Capital		1,320,720
Sales		2,181,800
Allowance for doubtful debts		7,980
Discounts	18,400	14,000
Purchases	1,085,500	
Returns	44,900	107,200
Other operating expenses	399,200	
Salaries and wages	308,200	
Cash in hand	52,300	
Cash in bank	293,700	
Stock 1 July 2022	125,200	
Trade receivables and payables	212,000	158,700
Motor vehicle	1,200,000	
Provision for depreciation on Motor vehicle at 01 July 2022		432,000
Furniture and fitting -at cost	966,000	
Provision for depreciation on furniture and fittings at 01 July 2022		483,000
	<b>4,705,400</b>	<b>4,705,400</b>

### Additional Information

- Inventory at at 30 June 2023 was valued at Sh 142,000
- Included in Other operating expenses are prepaid insurance of Sh 7,200 and electricity owing amounting to Sh 10,200
- Trade receivable amounting to Sh 16,000 was unrecoverable hence written off
- Allowances for bad and doubtful debts was adjusted to 3% of the trade receivables balance at year end
- Cash of Sh 48,000 was taken by the proprietor for personal use. This had been omitted in the books.
- Depreciation was as follows: Furniture and fittings 10% straight line  
: Motor vehicles 20% reducing balance

### Required

- i) Statement of profit or loss for he year ended 30 June 2023 (10 marks)
- ii) Statement of financial position as at 30 June 2023 (10 marks)

### QUESTION FOUR (20 MARKS)

Penina and John are in partnership sharing profit at a ratio of 60%:40% respectively. The following trial balance was extracted at 31 December 2023

	Dr	Cr
	Sh	Sh
Office Equipment	672,000	
Motor vehicle	1,032,000	
Cost of goods sold	7,030,000	
Closing Stock	2,500,000	
Accounts receivable and accounts payable	2,516,000	1,996,000
Cash at Bank	546,000	
Sales		10,830,000
Administration and selling expenses	2,090,000	
Current Accounts 1.1.2023		
Penina		445,000
John		420,000
Capital accounts		
Penina		2,500,000
John		1,200,000
Drawings		
Penina	525,000	
John	480,000	
	<b>17,391,000</b>	<b>17,391,000</b>

### Additional Information

- Interest on capital – 5%
- Interest on drawings – 2%
- Depreciation on Motor vehicle and office furniture is 20% and 10% respectively

### Required

- i) Income statement (8 marks)

- ii) Profit & Loss appropriation account
- iii) Partners current Accounts

(6 marks)  
(6 marks)

**QUESTION FIVE (20 MARKS)**

Champion Wholesaler has kept records of his business transactions in a single-entry form. His bank account for the year is as follows;

Bank account			
	Sh		Sh
Balance 1.7.22	8,280	Payment to creditors	570,600
Receipt from Debtors	847,800	Rent	28,800
		Insurance	17,100
		Drawings	102,600
		Sundry expenses	19,680
		Balance c/d 30.06.23	117,300
	<b>856,080</b>		<b>856,080</b>

Cash paid were

	Sh
Cash balance at 1.7.22	1,746
Sundry Expenses	1,620
Payments to trade payables	11,790
Cash sale	13,860

The following information was also available

	30.06.22	30.06.23
	Sh	Sh
Accounts payable	65,700	72,900
Accounts receivable	82,800	102,600
Fixtures (Net book value)	49,500	41,400
Inventory	217,800	243,900

**Required**

- i) Statement of affairs as at 1 July 2022 (5 marks)
- ii) Income statement for the year ended 30 June 2023 (8 marks)
- iii) Statement of financial position as at 30 June 2023 (7 Marks)