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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 11th April, 2024
Time: 11.30am – 1.30pm

KAC 101 - PRINCIPLES OF ACCOUNTING 11

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) XYZ are in partnership sharing profits and losses in the ratio of 3:2:1. The following is their statement of financial position as 31st December 2022

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

Capital Accounts:			Fixed Assets		
	Shs.	Shs.		Shs.	Shs.
X	12,000		Premises	15,000	
Y	8,000		Motor vehicles	3,800	
Z	4,000	24,000	Furniture & Fittings	1,200	20,000
Current Accounts:			Current Assets		
	Shs.			Shs.	
X	2,000		Stock	5,500	
Y	1,800		Debtors	3,700	
Z	<u>(2,800)</u>	1,000	Cash at bank	1,400	10,600
Current Liabilities:					
Creditors		5,600			
		<u>30,600</u>			<u>30,600</u>

The partners decide to dissolve the partnership as at 1st January 2023. The premises and stock were sold for shs. 13,000. The debtors realized shs. 3,000. Motor vehicles and furniture and fittings were sold for shs. 2,500 and shs. 1,100 respectively. Z is declared insolvent.

Required

- i) Realization Account (6 Marks)
ii) Partners capital Account (6 Marks)
iii) Bank Account (6 marks)

- b) Nyota Ltd issued 10,000 debentures of shs.100 each at shs 90 on 1st January 2022.
Required
 Show relevant entries in ledger accounts (6 Marks)
- c) Highlight three differences between equity capital and loan/debenture capital (6 Marks)

QUESTION TWO (20 MARKS)

- a) The following receipts and payment belongs to Sunshine medical centre

Receipts and payments Account
 For the Year Ending 31st December 2021

Receipts	Shs.	Payments	Shs.
Balance b/f	71,300	Medicines	450,000
Subscriptions and fees	479,960	Doctor's Honorarium	120,000
Donations	245,000	Salaries	350,000
Interests on investment @15%	75,000	Miscellaneous exp.	12,000
Proceeds from charity show	250,000	Equipment	150,000
		Expenses on charity show	15,000
	<u>1,121,260</u>	Balance c/d	24,260
			<u>1,121,260</u>

Additional information

	1 st January 2021 Sh.	31 st December 2021 Shs.
i) Subscription due	24,000	28,000
ii) Subscriptions in advance	6,400	10,000
iii) Stock of medicines	89,000	97,500
iv) Equipment	212,000	316,000
v) Buildings (Cost less depreciation)	400,000	380,000

Required

Prepare the income and expenditure account for the year ending 31st December 2021.
 (10 Marks)

- b) The following information relates to South End Ltd for the year ended 31st Dec 2020

Cash and cash equivalents	<u>000</u>
Jan 2020	8,952
Dec 2020	10,043
Operating profit	4,100
Depreciation charges	1,080
Proceeds of sale of tangible assets book value 116,000	96
Increase in working capital	165
Issuance of ordinary share capital	400
Expenses in connection with share	10
Purchases of intangible fixed assets	2540
Purchases of tangible fixed assets	2460
Corporation tax paid	1570
Interest received	2290

Required

Prepare a cash flow statement for the year ended 31st December 2020 (10 marks)

QUESTION THREE (20 MARKS)

- a) Kamau and Njoroge are in partnership sharing profits and losses in the ratio 3:2 respectively. After crediting their accounts with interest on capital at 10% p/a and monthly salaries of shs. 15,000 and 20,000 respectively. Interest on drawing is charged at 5% p.a. Their trial balance as at 31/12/2013 after drawing Income statement is as follows.

	DR SHS	CR SHS
Capital		
Kamau		500,000
Njoroge		400,000
Current		
Kamau		20,000
Njoroge		10,000
Drawing		
Kamau	225,000	
Njoroge	215,000	
Net profit		800,000
Non-current Assets (cost)		
Land and buildings	500,000	
Plant and machinery	300,000	
Motor vehicle	200,000	
Accounts receivable	100,000	
Inventory	200,000	
Cash	290,000	
Accounts payable		<u>100,000</u>
	<u>2,030,000</u>	<u>2,030,000</u>

Required;

- i) Prepare the profit and loss appropriation account (8 Marks)
ii) Prepare the current accounts (8 Marks)
- b) Discuss characteristics of a single entry accounting (4 Marks)

QUESTION FOUR (20 MARKS)

a) Utawala Company Limited prepared financial statements for the last three years are as follows:

	2018	2019	2020
	Sh.'000'	Sh.'000'	Sh.'000'
Cash	30,000	20,000	5,000
Accounts receivable	200,000	260,000	290,000
Inventory	400,000	480,000	600,000
Net fixed assets	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
	1,430,000	1,560,000	1,695,000
Accounts payable	230,000	300,000	380,000
Accruals	200,000	210,000	225,000
Bank loan, short term	100,000	100,000	140,000
Long term debt	300,000	300,000	300,000
Common stock	100,000	100,000	100,000
Retained earnings	<u>500,000</u>	<u>550,000</u>	<u>550,000</u>
	1,430,000	1,560,000	1,695,000
Additional information:			
Sales	4,000,000	4,300,000	3,800,000
Cost of goods sold	3,200,000	3,600,000	3,300,000
Net profit	300,000	200,000	100,000

Required:

For each of the three years, calculate the following ratios:

- i) Acid test ratio (4 Marks)
- ii) Inventory turnover, (4 Marks)
- iii) Net profit margin (4 Marks)
- iv) Return on assets. (4 marks)

b) On 31st Dec 2021, the following information was provided for Tinga Ltd. Authorized capital 100000 shares of sh 1 each. Issued shares capital 50000 shares of sh. 1 each. The balance in the income statement was sh. 30000 (credit). The directors decided to make a bonous issue of one ordinary share fully paid for every two held.

Required;

Show the necessary entries in the ledger of Tinga ltd. (4 Marks)

QUESTION FIVE(20 MARKS)

Majimazuri Limited has an authorized share capital of 50,000 ordinary shares of shs. 10 each. The company's trial balance as at 31st October 2019 was as follows:-

	Dr Sh	Cr sh
Ordinary shares		300000
Share premium account		80000
Freehold Premises	350000	
Plant and machinery	230000	
Motor Lorries	150000	
Debtors and Creditors	85000	67000
10 Debentures		100000
Purchase and sales	285000	428000
General expenses	15,500	
Bad debts	4,300	
Stock 1 st Nov. 2018	32,600	
Debenture interest (Half year)	5000	
Discount received		4200
Bank	47800	
Salaries	45000	
Directors salaries	20000	
Insurance	4000	
Provision for depreciation		175000
Plant and machinery		80000
Motor Lorries		
Profit and loss account (1 st Nov 2018)	<u> </u>	<u>40000</u>
	<u>1274200</u>	<u>1274200</u>

Additional information

- At 31st October 2019
 - Insurance shs. 600 was prepared
 - Stock was valued at shs. 34300
 - A corporation tax provision of shs. 15000 is to be made
 - The directors propose to pay a dividend of 10% to the ordinary shareholders
- Depreciation is to be calculated on fixed assets at 20% on the reducing balance basis.
- The debenture interest for the second half of the year is to be accrued.

Required;

- Income statement for the year to 31st October, 2019
(10 Marks)
- Statement of the financial position as at that date.
(10 Marks)