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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2012/2013 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 17th April, 2013
Time: 9.00am – 11.00am

KAC 101 – PRINCIPLES OF ACCOUNTING II

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Differentiate between partnership account and financial accounting. (4 Marks)
- b) Explain three factors that favour partnership business. (6 Marks)
- c) James and Laban entered into a partnership business where they agreed to contribute capital as follows;
James Shs. 10000
Laban Shs. 8000
On 1/1/2012 they contributed their capital in the form cash. Using a T- account do the double entries in the partnerships books of account. (6 Marks)
- d) Differentiate the following;
- i) Ordinary shares and preferences shares (4 Mark)
- ii) Debentures and share premium (4 Mark)
- e) State and explain four sources of finances for the non profit making organization. (8 Marks)
- f) Explain the term non profit making organization. (2 Marks)

QUESTION TWO (20 MARKS)

The following balances were taken from the books of A and B partnerships as at 31 / 12 / 01

Capital	A Shs. 12000	B Shs. 15000
Salaries	A Shs. 2400	B Shs. 1400
Drawings	A Shs. 3000	B Shs. 4000

The firm net profit for the year was Shs. 32000. Interest on capital is to be allowed at 8% per annum. Interest on drawings 15% per annum. Profit and losses are to share at the ratio of A to B at 2: 3 respectively.

Required;

- i) Profit and loss appropriation account (10 Marks)
- ii) Partners' current account (5 Marks)
- iii) Balances sheet extract as at 31/12/02. (5 Marks)

QUESTION THREE (20 MARKS)

- a) Company xyz sold 1000 ordinary shares of par value Shs. 10 each on cash basis

Required:

Open the ledger accounts and post the above transaction (12 Marks)

- b) Explain the following;
 - i) Corporation tax (3 Marks)
 - ii) Audit fees (3 Marks)
 - iii) Debtors (2 Marks)

QUESTION FOUR (20 MARKS)

Prepare an income and expenditure accounts using the information given below for a non profit making organization.

<u>DR</u>	<u>Receipts and payments a/c</u>	<u>CR</u>
Subscriptions	30000	Honorarium expenses 2000
Bank loan	20000	Sports and equipment 16000
Donations	5000	Salaries expences 1500
		Repair expenses 3400
		Transport expenses 4200
		Telephone expenses 2100
		Furniture 6000
		Balances c/d 19800
Total	55000	55000
Balances b/d	19800	

QUESTION FIVE (20 MARKS)

The following trial balances was extracted from the books of SS Company Ltd as at 31st Dec 1999

	DR	CR
sales		13000
opening stock 1/1/99	8000	
Purchases	70000	
Carrige inwards	3000	
Returns outwards		5000
Premises	40000	
Telephone expenses	3500	
Motor expenses	5000	
Debentures interest	2500	
10% debentures		25000
Debtors	22000	
Ordinary share capitals		30000
8% Preferences shares capital		10000
Directors fees	4000	
Motor vehicles	40000	
cash at hand	2000	
Total	200000	200000

Additional information;

- i) Value of the closing stock sh 5000
- ii) Provide for corporation tax at a rate of 15 % of the net profit
- iii) Directors proposed to pay dividends to the preference shares holder
- iv) Directors proposed to pay divided to ordinary share holders at a rate of 12 %
- v) Bad debts to be written off sh 2000
- vi) Provision for bad debts to be 85 of the remaining debtors
- vii) Rent income receivable sh 15000

Required:

Using the vertical format prepare;

Trading and profit and loss and appropriation a/c for the year ended 31 Dec. 1999.

(20 Marks)