



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2013/2014 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 23rd April, 2014
Time: 11.00am – 1.00pm

KAC 101 – PRINCIPLES OF ACCOUNTING 11

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Define a company and identify two ways in which it raises its finances. (3 Marks)
- b) Define a partnership business and give two reasons which can make a partnership to be dissolved. (3 Marks)
- c) Explain each of the following; (12 Marks)
- i) Appropriation of profits and loss account
 - ii) Accumulated fund
 - iii) Working capital
 - iv) Partnership deed
 - v) Share premium
 - vi) Forfeiture of shares
- d) On 1/1/2012 XYZ COMPANY LIMITED sold 1000 ordinary shares of par value Sh. 10 each on cash basis and on 1/1/2012 sold 5000 8% preference shares of par value Sh.5 each on cash basis.
Required; open the necessary ledger accounts and post the above transactions. (6 Marks)
- e) Distinguish between income and expenditure account and trading, profit and loss account. (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>	KSHS	<u>PAYMENTS</u>	
Balance b/d	700,000	KSHS	
Subscriptions	1200,000	Bar purchases	150,000
Receipts from bar	315,000	Rates and insurance	60,000
Ticket sale from golf tournament	300,000	Golf tournament tickets purchased	170,000
		Equipment(cost)	600,000
		Salaries	83,000
	<u>2,515,000</u>	Balance c/d	452,000
			<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; 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, payments and accruals.

(8 Marks)

QUESTION THREE (20 MARKS)

Isaac deals with a single product Apex that had the following data for the month of March 2013
Opening stock at March 2013 was 100 units valued at Shs.2 per unit.

Purchases for March 2013

Date	Units	Unit price (Shs.)
3/3 13	400	2.10
9/3/13	300	2.20
18/3/13	100	2.40

Sales for March 2013

Date	Units
4/3/13	200
11/3/13	400
20/3/13	100

All the units were sold for Shs.8

Required

- a) Prepare a stores ledger card on FIFO System of stock valuation. (8 Marks)
- b) Prepare trading account for the month of March 2013. (8 Marks)
- c) State four objectives of stock control in an organization. (4 Marks)

QUESTION FOUR (20 MARKS)

The following trial balance was extracted from Isaac and Beatrice partnership 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) Trading profit and loss account
- b) Balance sheet
- c) Partners current account

(20 Marks)

QUESTION FIVE (20 MARKS)

Broadways Limited has an authorised share capital of 50000 ordinary shares of Shs.10 each. The company's trial balance as at 31st October 2013 was as follows:

	Dr Shs.	Cr Shs.
Ordinary shares		300,000
Share premium account		80,000
Freehold Premises	350,000	
Plant and Machinery	230,000	
Motor Lorries	150,000	
Debtors and Creditors	85,000	67,000
10% Depentures		100,000
Purchase and Sales	285,000	428,000
General Expenses	15,500	
Bad debts	4,300	
Stock 1st Nov. 2012	32,600	
Depenture interest (half year)	5,000	
Discount received		4,200
Bank	47,800	
Salaries	45,000	
Directors salaries	20,000	
Insurance	4,000	
Provision for depreciation		
Plant and Machinery		175,000
Motor lorries		80,000
Profit and loss account 1st Nov. 2012		40,000
	<u>1,274,200</u>	<u>1,274,200</u>

NOTES:

1. At 31st October 2013:
 - a) Insurance Shs.600 was prepaid.
 - b) Stock was valued at Shs. 34,300.
 - c) A corporation tax provision of Shs. 15,000 is to be made
 - d) The directors propose to pay a divided of 10% to the ordinary shareholders.
2. Depreciated is to be calculated on fixed assets at 20% on the reducing balance basis.
3. The debenture interest for the second half of the year is to be accrued.

Required: prepare in a vertical format;

- a) Trading, profit and loss and appropriation account for the year to 31st October 2013
- b) A balance sheet as at that date. (20 Marks)