

**FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE
OF BACHELOR OF BUSINESS ADMINISTRATION**

(SEPTEMBER - DECEMBER 2022)

BAB 1108: INTRODUCTION TO ACCOUNTING II

TIME: 2 HOURS

INSTRUCTIONS:

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS.

QUESTION ONE

Roseline, Saline and Juliet are partners sharing profits and losses in the ratio of 2:1:1 after interest on capital at 10% and 5% on drawings. Saline and Juliet were entitled to salaries of ksh. 25,000 and ksh. 30,000 per month respectively. The trial balance for the period ended 31st December, 2020 is as follows.

	Dr	Cr
	ksh '000'	ksh '000'
Capital accounts:		
Roseline		4,000
Saline		2,000
Juliet		1,500
Purchases and Sales	9,000	14,000
Debtors and creditors	2,000	1,250
Returns	400	200
Discounts	200	300
Office expenses	1,000	
Current accounts:		
Roseline		600
Saline		500
Juliet	400	
Drawings:		
Roseline	150	
Saline	100	
General expenses	1,200	
Bad debts	400	
Provision for bad and doubtful debts		200
Rent and rates	200	
Salaries and wages	500	
Land and buildings	6,000	
Plant and machinery	5,000	
Motor vehicles	3,500	
Provision for Depreciation on:		
Land and buildings		2,000
Plant and machinery		2,500
Motor vehicles		1,000
	<u>30,050</u>	<u>30,050</u>

Additional information:

- a) Stock as at 31st December 2020 amount to sh. 800,000.
- b) Provision for bad and doubtful debts to be maintained at 10% of debtors.
- c) General expenses amounting sh. 200,000 were in arrears while rent and rates amounting to sh. 100,000 have been paid in advance.
- d) Depreciation is charged as follows:
 - Land and Buildings 10% on cost.
 - Plant and Machinery 15% on reducing balance.
 - Motor vehicles 10% on reducing balance.

Required:

- i) Income Statement for the year ended 31st December 2020 (14 marks)
- ii) Profit and Loss Appropriation account for the year ended 31st December 2020 (4 marks)
- iii) Current accounts (6 marks)
- iv) Statement of Financial Position as at 31st December 2020 (6 marks)

QUESTION TWO

The following particulars relate to Migingó Charitable Hospital for the year ended 31st December, 2020.

**Receipts and Payments Account
For The Year Ended 31st December 2020**

Receipts	Shs.	Payments	Shs.
Cash in hand on 1 st January 2020	7,130	Medicines	30,590
Subscriptions	47,996	Doctor's Honorarium	9,000
Donations	14,500	Salaries	27,500
Interest on investments @ 7%		Petty Expenses	461
For full year	7,000	Equipment	15,000
Proceeds from Charity Show	10,450	Expenses on Charity Show	750
		Cash in hand on 31/12/20	<u>3,775</u>
	<u>87,076</u>		<u>87,076</u>

Additional information:

	On 1st Jan 2020	On 31st Dec 2020
	Shs.	Shs.
(i) Subscription due	240	280
(ii) Subscriptions received in advance	64	100

(iii) Stock of Medicines	8,810	9,740
(iv) Estimated Value of equipment	21,200	31,600
(v) Buildings (cost less depreciation)	40,000	38,000

Required:

- a) Income and expenditure statement for the year ended 31st December 2020 **(14 marks)**
- b) Statement of Financial position as at 31st December 2020 **(6 marks)**

QUESTION THREE

The following trial balance was extracted from the books of accounts of Sweetend Ltd. as at 30th June 2022:

	Shs.000	Shs.000
Freehold property (cost)	28,000	
Machinery (cost)	18,000	
Furniture (cost)	6,000	
Accumulated Depreciation (1 st July 2021)		
Machinery		5,400
Furniture		2,160
Purchases	68,000	
Sales		91,000
Inventory (1 st July 2021)	26,400	
Trade receivables	14,640	
Trade payables		72,000
Discount allowed	1,350	
Discount received		1,100
Selling and distribution expenses	2,750	
Administrative expenses	5,300	
Debenture interest	160	
Allowance for doubtful debts (1 st July 2021)		610
8% debentures		2,000
Ordinary share capital		30,000
10% preference share capital		20,000
Share premium		5,000

Retained earnings (1 st July 2021)		12,330
Bank balance and cash in hand	2,100	
Interim dividend paid:-Preference	800	
Ordinary	1,200	
Insurance	2,100	
	176,800	176,800

Additional information:

1. At the end of the financial year, it was not possible to carry out a stock take for inventory valuation. However, the normal profit margin is 20%.
2. On 30th June 2022, administrative costs included a prepayment of Sh. 500,000.
3. Insurance was paid on 1st July 2021 and is to cover a period of three years in equal installments from that date.
4. Debtors amounting to Sh.640,000 had been unable to pay by 30th June 2022. This amount should be written off.
5. Allowance for doubtful debts is maintained at 5% of the trade receivables at the end of each year.
6. Depreciation is provided as follows per annum

Asset	Rate
Machinery	10% on straight line basis
Furniture	20% on reducing balance basis

7. The directors have proposed the following:
 - A 6% dividend on ordinary shares.
 - A final dividend on preference shares.

Required:

- a) Income statement for the year ended 30th June 2022. **(14 Marks)**
- b) Statement of financial position as at 30th June 2022. **(6 Marks)**

QUESTION FOUR

Bertha, Liz and company have supplied the following information.

Bertha, Liz and company

Financial position statement as at 30th April 2020.

	Ksh. '000'	Ksh. '000'	Ksh. '000'
Non-current Assets	Cost	Depreciation	N.B.V
Furniture & Fittings	24	-	24
Equipment	71	-	71
Motor vehicles	376	-	<u>376</u>
			471
Current Assets			
Fees in arrears	120		
Cash at Bank:			
Office Account	303		
Client's Account	<u>782</u>	1205	
Current Liabilities			
Client's Account	782		
Accrued rent	34		
Accrued salaries	<u>33</u>	(849)	<u>356</u>
			<u>827</u>
Capital			<u>827</u>

The details of receipts and payments for the year ended 30th April 2020 are given below: -

Receipts	Sh. '000'	Payments	Sh. '000'
Fees for services rendered	888	Office Rent	224
Disbursements		Salaries and wages	240
- Stationery	12	Equipment purchased	149
- Transport	15	Telephone and postage	73
- Miscellaneous	23	Miscellaneous expenses	52
Deposit for land buying for clients	384	Water and electricity	35
Deposit for a criminal case from		Printing and stationery	38

Client	324	Transport	56
		Motor vehicle expenses	98
		Office repairs	18
		Deposit for land sale contract for client	230
		Drawings	150

Additional information has been obtained as follows:

- (i) Interim fee note of Sh.125,000 was debited to the client's account for the criminal case.
Disbursements for stationery, Shs. 5,000, transport Shs.3,000 and miscellaneous Sh.1,000 have been charged to the client's account.
- (ii) Accrued expenses amounted to Sh.5,000, Sh.27,000 and Sh.28,000 for telephone, rent and salaries respectively.
- (iii) Depreciation is provided for on reducing balance method on 12½%, 15% and 25 % on furniture and fittings, equipment and motor vehicles respectively.
- (iv) Fees in arrears amounted to sh.320,000.

Required:

- a) The Advocate's Income and Expenditure Account for the year ended 30th April 2020. **(10 marks)**
- b) The Client's Account for the year ended 30th April 2020. **(4 marks)**
- c) Financial Position Statement as at 30th April 2020. **(6 marks)**

QUESTION FIVE

Hasan is a merchant operating in Kibwezi. His trial balance for the year ended 31st December, 2021 is;

	Dr	Cr
	Shs.000	Shs. 000
Motor Vehicles	6,000	
Provision for depreciation on Motor vehicles		2500
Furniture and Fittings	5,000	
Provision for depreciation on furniture		1500
Stock (1 st January 2021)	2,000	
Sales		30,000
Purchases	20,000	

Returns	3,000	2,000
Discounts	3,000	1,000
Debtors / Creditors	8,000	4,000
Bad Debts	1,000	
Provision for bad & Doubtful Debts		600
Motor Vehicles Expenses	1,000	
Rent	500	
Salaries & Wages	1,000	
Electricity & Water	1,500	
Telephone	300	
Carriage Inwards	200	
Carriage Outwards	400	
Drawings	3,000	
Capital		14,300
	55,900	55,900

Additional Information

1. Stock at 31st December 2021, amount to Shs. 4,000,000
2. Provision for bad & doubtful debts is set at 5% of current debtors.
3. Motor vehicles expenses unpaid amount to Shs. 300,000 rent paid in advance amount to Shs. 100,000 while salaries and wages prepaid was Shs. 200,000.
4. A quarter of telephone bills paid relate to the year 2022.
5. Unpaid electricity and water amount to Shs. 100,000
6. Depreciation is provided on motor vehicles and fixtures at 20% and 10% respectively on reducing balance.

Required:

Prepare Income Statement for year ended 31st December 2021 and **(14 marks)**
 Financial Position Statement as at 31st December 2021. **(6 marks)**

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE & TECHNOLOGY

DEPARTMENT OF ACCOUNTING AND FINANCE

COURSE OUTLINE

COURSE CODE & TITLE: BAB 1108: INTRODUCTION TO ACCOUNTING II (YR 1, SEM. 2)

COURSE PREREQUISITE: INTRODUCTION TO ACCOUNTING I

COURSE AIM: To introduce students of Business Administration to simple final accounts of different organizations; and help them appreciate the effects of changes and status of business Assets, Capital and Liabilities.

COURSE OBJECTIVES: By the end of the course the student shall be able to:

- ✓ Make adjustments of items for the final accounts
- ✓ Apportion profit accruing from partnership business organization amongst the partners
- ✓ Identify items of appropriation in Company form of Business organization
- ✓ State the sources of funds for Non-Profit organizations and how their final accounts are prepared
- ✓ Understand the terms applied in final accounts of professionals
- ✓ Prepare final accounts of the different forms of organizations, including the Balance sheet.

TOPICS:

TOPIC 1: SOLE PROPRIETORSHIP FINAL ACCOUNTS

- A review of final accounts of individually owned businesses
- Balance sheets of such businesses, including capital structure

WEEK 2: FIRST ASSIGNMENT

TOPIC 2: PARTNERSHIP FINAL ACCOUNTS

- Final accounts
- Appropriation accounts & adjustments in the sharing of the net profit
- Partners capital accounts under different forms of capital structures
- Balance sheet of partnership firms

WEEK 5: SECOND ASSIGNMENT

TOPIC 3: COMPANY FINAL ACCOUNTS

- Final accounts of a limited liability company
- Adjustments in the final accounts
- Appropriation account adjustments
- Simplified balance sheet of a company

TOPIC 4: NON-PROFIT MAKING ORGANIZATIONS

- Sources of funds
- Receipts and payments account
- Adjustment of subscriptions

- Income and expenditure account
- Financial Position Statements

WEEK 10: SIT-IN CAT

TOPIC 5: ACCOUNTS OF PROFESSIONALS

- Terms that are applied in professional accounts
- Adjustment of profit to take care of work-in-progress
- Final accounts of doctors, accountants, solicitors. et.c.

COURSE ASSESSMENT:

The course shall be assessed through course-work and final examinations as below:

CLASS ASSIGNMENTS	10
SIT-IN-CAT	20
FINAL EXAM	<u>70</u>
TOTAL	<u>100%</u>

REFERENCES:

1. **Kimuda, D.W. (2008):** FINANCIAL ACCOUNTING, *East African Educational Publishers-NAIROBI, KENYA*
2. **Kimuda, D.W. (2008):** FOUNDATIONS OF ACCOUNTING, *East African Educational Publishers – Nairobi, Kenya*
3. **Nzomo, D.N. (2007):** FUNDAMENTALS OF ACCOUNTING, *University OF Nairobi Press*
4. **Wood, F & Sangster, A. (2007):** BUSINESS ACCOUNTING VOL. 1, Prentice Hall
5. **Jain, S.P. & Narrang, K.L. (2009):** ADVANCED ACCOUNTANCY, *Vikas Publications, INDIA.*

Course lecturer: Dr. Daniel Wayongah