



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
1st YEAR 2ND SEMESTER 2016/2017 ACADEMIC YEAR
KISII CAMPUS-PART TIME

COURSE CODE: ABA 109

COURSE TITLE: INTRODUCTION TO ACCOUNTING II

EXAM VENUE: LR 17

STREAM: (BBA)

DATE: 13/12/16

EXAM SESSION: 2.00 – 4.00 PM

TIME: 2 HOURS

Instructions:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

QUESTION ONE

- a) Identify and explain any five functions of accounting. [5 marks]
- b) Kamau, Mayaka and Mwenda are in a partnership with capital of Sh. 200,000, Shs. 80,000 and Sh. 20,000 respectively. Their partnership agreement provides for the following:
- Interest on capital at 4% per annum
 - Interest chargeable on drawings at 5% per annum
 - Mayaka and Koskei to receive salaries of sh. 22,000 each per annum.
 - Profits and Losses to be shared between Kamau , Mayaka and Mwenda in the ratio of 6: 3: 1 respectively.
 - The following information is available for the year ended 31st December , 2014
 - Current account balances on 1st January, 2014 were as follows
Kamau - credit balance of Sh. 6,200
Mayaka – credit balance of Sh. 3,800
Mwenda – Debit Balance of Sh. 1,900
 - During the year quarterly drawing s were as follows:
Kamau – Sh. 2,400; Mayaka – Sh. 1,800; Mwenda – Sh. 1,800
 - Net profit for the year ended 31st December , 2014 was sh. 105,600.

Required:

Profit and Loss Appropriation Account for the year ended 31st December, 2014 and Partners Current Accounts. [10marks]

- c) Identify nine steps of the accounting cycle [5marks]
- d) The Gross Profit of Jumbo Stores for the year ending on December 31st 2014 shs. 11,000. The following additional information about his expenses and gains for that period. Wages & salaries Sh. 2,500: Rent & Rates Shs. 1,800; Postage & Telephone Shs. 500; Printing & Stationery Shs. 800 and Rent received Shs. 600.

Required;

Prepare their Profit & Loss Account. [5marks]

- e) Name five provisions of a partnership deed [5marks]

QUESTION TWO

The following list of balances was extracted from the books of XYZ bank ltd as at 31st December, 2015.

| | |
|--|------------------------|
| Cash and balances with the Central Bank of Kenya | Sh. (millions) 7650 |
|--|------------------------|

| | |
|---|-------|
| Government securities | 18618 |
| Deposits & balances due from other banking institutions | 493 |
| Other investments | 3 |
| Interest receivable and other assets | 7035 |
| Advances to customers | 28786 |
| Amounts due from other companies | 4860 |
| Property Plant & Equipment | 2917 |
| Interest income: Loans and advances to customers | 6688 |
| Treasury Bills | 3113 |
| Advances to other banks | 329 |
| Other debt securities | 120 |
| Staff costs | 2855 |
| Directors fees | 43 |
| Maintenance of equipment | 604 |
| Depreciation expense | 481 |
| Auditors fees | 6 |
| Contribution to deposit protection fund | 55 |
| Operating lease rentals | 131 |
| Legal & Professional fees | 126 |
| Other operating cost | 1509 |
| Fees and commission income | 2255 |
| Foreign exchange income | 1185 |
| Other income | 111 |
| Provision for bad & doubtful debts | 258 |
| Income tax expense(paid) | 1242 |
| Interim dividends(paid) | 463 |
| Interest expense : savings | 2214 |
| Fixed deposits | 804 |
| Current accounts | 293 |
| Others | 180 |
| Customer deposits | 49984 |
| Deposits and balances due to other banking institution | 1098 |
| Interest payable and other liabilities | 9877 |
| Ordinary share capital | 1500 |
| Revaluation reserves | 1200 |
| Retained profits as at 1 st January, 2014 | 4166 |
| Acceptances and letters of credit | 3601 |
| Foreign exchange forward contract | 1061 |

Additional information

1. The directors have proposed a final dividend of sh.234 million.
2. The bank had guaranteed customers a total amount of sh. 4863 million and had commitments to lend of sh. 5077 million as at 31st December, 2015

Required:

- i. Income statement for the year ended 31st December, 2015. [10marks]
- ii. Balance sheet as at 31st December, 2015. [10marks]

QUESTION THREE

- a) State the main features of the income and expenditure account. [5marks]
- b) The following information was drawn from ledger of A Smith as on December, 31st 2015.

| | Sh. |
|--------------------|--------|
| Land and buildings | 200000 |
| Creditor | 25000 |
| Capital | 200000 |
| Stock | 50000 |
| Loan from bank | 65000 |
| Debtors | 13000 |
| Motor van | 25000 |
| Cash at bank | 2000 |

You are required to prepare a balance sheet and show the totals of: - [10mks]

- i. Fixed assets
 - ii. Current assets
 - iii. Owners capital
 - iv. Loan capital
 - v. Current liabilities
- c) Distinguish between capital and revenue. [5mks]

QUESTION FOUR

- a) Zawadi Ltd has an authorized share capital of 50,000 ordinary shares of Shs. 10 each. The company 's trial balance as at 31st December , 2013 was as follows:-

| | Dr | Cr |
|-----------------|-----|---------|
| | Sh. | Sh. |
| Ordinary shares | | 300,000 |

| | | |
|---|-----------|-----------|
| Share Premium | | 80,000 |
| Freehold Premises | 350,000 | |
| Plant and Machinery | 230,000 | |
| Motor Vehicles | 150,000 | |
| Debtors and Creditors | 85,000 | 67,000 |
| 10% Debentures | | 100,000 |
| Purchase & Sales | 285,000 | 428,000 |
| General expenses | 15,500 | |
| Bad debts | 4,300 | |
| Stock (1 st January, 2013) | 32,600 | |
| Debenture 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 Vehicles | | 80,000 |
| Profit & Loss account (1 st January, 2013) | | 40,000 |
| | 1,274,200 | 1,274,200 |

Additional information

1. At 31st December, 2013:
 - a. Insurance Sh. 600 was prepaid
 - b. Stock was valued at sh. 34,300
 - c. A corporation tax provision of sh. 15,000 is to be made
 - d. The Directors propose to pay a dividend of 10% to the ordinary shareholders.

2. Depreciation 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:

Trading and Profit and Loss account for the year ended on 31st December, 2013 and a balance sheet as at that date. [20marks]

QUESTION FIVE

The following schedule of balances was extracted from the accounting records of Chuma Manufacturing Ltd as at 31st August, 2014.

| | Shs. |
|--|---------|
| Stock as at 1 st September, 2013; | |
| Raw material | 13,550 |
| Work in progress | 6,500 |
| Finished Goods | 12,800 |
| Purchases and Expenses for year to 31 st August, 2014:- | |
| Raw Materials | 237,650 |
| Indirect materials | 1,850 |
| Direct wages | 53,230 |
| Factory power | 4,550 |
| Factory heating and lighting | 1,975 |
| Office heating and lighting | 930 |
| Printing and stationery | 1,264 |
| Postage and Telephone | 520 |
| Factory Salaries | 11,500 |
| Office salaries | 9,900 |
| Factory insurance | 1,210 |
| Other insurance | 450 |
| Depreciation:- | |
| Factory machinery and equipment | 5,000 |

| | |
|--|---------|
| Office Machinery and equipment | 650 |
| Office expenses | 1,680 |
| Advertising | 850 |
| Sales of manufactured goods (31/08/2014) | 378,150 |

The following additional information is relevant to the above accounting period:

- i. Finished goods manufactured during the accounting period are transferred from the factory at manufacturing price of cost of production plus 10%.
- ii. Stock at 31st , August, 2014

| | |
|------------------|-------------|
| Raw Materials | Sh. 240,000 |
| Work in Progress | Sh. 7, 987 |
| Finished Goods | Sh. 18,050 |
- iii. Prepayments at 31st August, 2014

| | |
|-------------------|---------|
| Factory insurance | Sh. 116 |
| Other insurance | Sh. 45 |
- iv. Accruals

| | |
|------------------------------|-----------|
| Direct wages | Sh. 1,342 |
| Factory heating and lighting | Sh. 197 |
| Office heating and lighting | Sh. 43 |
| Factory Power | Sh. 350 |

Required:

For the year ending 31st August, 2014, prepare;

- a. Manufacturing Account
- b. Trading account
- c. Profit and Loss account

[20marks]