Jaramogi Oginga Odinga University of Science and Technology

Bachelor of Logistics and Supply Chain Management

University Examination (MAIN CAMPUS)

BBM 3211: FINANCIAL ACCOUNTING

DECEMBER, 2018 **TIME: 2 HOURS.**

INSTRUCTION

Answer QUESTION ONE (COMPULSORY) and any other TWO questions

QUESTION ONE

a.) Explain the following terms in relation to international Accounting Standard no.7and give examples of each. **(3 Marks)**

i.) Operating activities **(3 Marks)**

ii.) Investing Activities **(3 Marks)**

iii.) Fianancing activities **(3 Marks)**

iv.) Cash and cash equivalents **(3 Marks)**

b. Explain the following terms

i.) Redemption shares **(3 Marks)**

ii.) Departmental Accounting **(3 Marks)**

iii.) Branch Accounting **(3 Marks)**

iv.) Royalty Accounts; **(3 Marks)**

v.) Financial ratio analysis **(3 Marks)**

QUESTION TWO

a. Explain the following terms:

i.) At par **(1 Mark)**

ii.) A premium **(1 Mark)**

iii.) At discount **(1 Mark)**

A.B. Ltd Company offered 100,000 ordinary shares of £1 each at par payable as under: -
£ 0.35 on application
£ 0.35 on allotment
£ 0.30on first and final call

Applications were received 120,000 shares .On July, 2005, applications for 10,000 shares were rejected and application money was refunded to unsuccessful applicants. Allotment was made on July 10, 2005 and applicants for 20,000 shares were allotted one half of the number for which they had applied, excess application money being used to reduce the amount due on allotment. The first and final call was made on 1st September 2005 and the money due on call made was received on 10th September2005.

Required;-

1. Bank account **(5 Marks)**
2. Application and Allotment account **(4 Marks)**
3. Call account **(4 Marks)**
4. Ordinary Share Capital account **(4 Marks)**

QUESTION THREE

A and B who wish to form a partnership and in the absence of a partnership agreement they have sought your advice on the matter . Advise A and B on the main provisions of the law where the partners have not prepared a partnership agreement. **(8 Marks)**

The following balances were extracted from the partnership books of A and B for the year ended31 December, 2004:

	A	B
	Shs	Shs
Capital Accounts	800,000	600,000
Current Accounts	160,000(cr)	120,000(dr)
Drawings	100,000	60,000

Additional information is as below:

1. The net profit for the partnership for the year ended 2004 was Shs 1,520,000
2. Capital Accounts of The Partners remain fixed during the year.
3. Each partner was entitled to interest at the rate of 10% of capital.
4. A will receive a monthly salary Shs 30,000 and B will receive a commission of 10% of the net profit.
5. The balance of the profit is to be shared equally between the partners.

<u>Required.</u>

Prepare:

i.) Partners Profit and Loss Appropriation Account **(6Marks)**

ii.) Partners Current Account **(6Marks)**

(TOTAL 20 MARKS)

QUESTION FOUR

The following information was extracted from the books of ABC Ltd.
The Trading and Profit and Loss Account for the year ended 31st December, 2006.

Sales - cash		600,000
-Credit		1,200,000
		1, 800,000
Less Cost of Sales		
Opening Stock	420,000	
Purchases	1,320,000	
	1,740,000	
Less Closing Stock	300,000	
		1,440,000
Gross		360,000
Less Expenses		
Depreciation	26,200	
Directors Emoluments	30,000	
General expenses	40,000	
Interest on loans	8,000	
		(106,000)
Net profit before tax		254,000
Less Corporation tax @50%		127,000
Net profit after tax		
Less appropriations		127,000
Preference dividends	9,600	
Ordinary dividends	20,000	(29,600)
Retained Profit		97,400

ABC Ltd.
Balance Sheet
As at 31st December 2006.

Fixed Assets		427,800
Current Assets		
Stock	300,000	
Debtors	71,800	
Others	40,000	
	411,800	
Current Liabilities		
Creditors	120,000	
Provision for corporation tax	127,000	
Proposed dividend	29,600	
	276,600	
Working capital		135,200
		563.200
Financed by		
Share capital		
Ordinary share capital	200,000	
Preference share capital	120,000	
		320,000
Revenue reserves:		
Retained profit b/f	65,600	
Retained profit c/f	97,400	
		163,000
10% Loan Finance		80,000
		563.000

Required

a) Compute the following ratios:

i. Current Ratio **(3 Marks)**
ii. Acid Test Ratio **(3 Marks)**
iii. Gross profit margin **(3 Marks)**
iv. Net profit margin **(3 Marks)**
v. Return on capital employed **(3 Marks)**

b) List **FIVE** limitations of ratio analysis**.** **(5 Marks)**

QUESTION FIVE

The following is an extract of the financial statement of XYZ Ltd. for the years 2009 and 2010.

Balance Sheet as at 30 June

	2009 Sh'000'	2010 sh'000'
Non- current Assets	72,500	75,000
Current Assets		
Inventory	24,500	26,500
Receivables	34,000	36,500
Cash at bank	1,250	2,250
	59,750	65,250
	132,250	140,,250
Capital and Reserves		
Issued Share Capital	50,000	50,050
Reserves	26,100	32,600
Non-current Liabilities		
10% Bank Loan	20,000	21,500
Corrent Liabilities		
Trade Payables	31,900	31,000
Taxation	2,250	29,950
Dividends	2,000	2,150
	132,250	140,250

Profit and Loss Account for the year ended 30 June 2010

Sale revenue	195,000
Profit from the Operations	13,750
Net interest costs	2,150
Profit before taxation	11,600
Income Tax Expenses	2,950
Profit after tax	8,650
Dividends	2,150
Net Profit for the period	6,500

NOTE: Depreciation charge for the year ksh. 6 million, non – current Assets disposed in the year proceeds ksh.0.3 million, depreciation to date ksh.0 .75 million,cost ksh 0.5 million.

REQUIRED

Prepare cash flow statement as per IAS 7 for XYZ Ltd. for the year 2010.

(20MARKS)

Jaramogi Oginga Odinga University of Science and Technology (MAIN)
Bachelor of Logistics and Supply Chain Management
BBM 3211: Financial Accounting

Instructor: Allan Okwenda Asola

Course Description:

The general objective of this course is to equip students with thorough knowledge on the Statements of changes of financial position - Cash flow statement; Analysis and Interpretation of Financial Statements - Ratio Analysis Partnership accounts Branch Accounts and Redemption of shares and Debentures.

These will be delivered through lectures, class discussions, assignments and continuous assessment tests (CATs)

Expected Learning Outcomes

After studied this course, the students will be able to understand:

1. Royalty Accounts;
2. Statements of changes of financial position - Cash flow statement;
3. Analysis and Interpretation of Financial Statements - Ratio Analysis.
4. Accounting for Redemption of Shares and Debenture
5. Departmental and Branch Accounting;
6. Partnership Accounts
7. Conversion of partnerships to Limited Liability Companies;

	WEEK
Royalty accounting,	One:
Royalty accounting,	Two:
Cash Flow Statements	Three:
Cash Flow Statements & Full Disclosure and Financial Reporting	Three:
Ratio Analysis.	Four:
Ratio Analysis.	Five:
Ratio Analysis.	Six:
Accounting for Redemption of Shares and Debenture	Seven:
Accounting for Redemption of Shares and Debenture	Eight:
.CAT	Nine:
Amalgamation and Dissolution of Partnership firms;	Ten:
The increase and reduction of Share Capital of Limited Companies;	Eleven:
Departmental Accounting;	Twelve:
Recognition and measurement of liabilities; stockholder's equity and other investments.	Thirteen:
Agency and Branch Accounting;	Fourteen:

Teaching Methodology

Lectures, class discussions, and case studies

<u>Course Assessment</u>

Assignments	15%

Sit - in - CAT	15%
Semester Examination	70%
TOTAL	**100%**

REFERENCE AND TEXTS

A.R. Jennings (1986), *Financial Accounting*, 3rd Ed., D.P. Publications

N.Saleemi *Advance Financial Accounting* (Volume 1) Saleemi Publishers

P. C. Tulsian (2006), *Financial Accounting,* Pearson Education (Singapore) Pte. Ltd

S. P. Jain and K.L. Narang (1979), *Principles of Accounting (Vol.1),* Kalyani Publishers

S.K.Maheshwari 1991, *Advance Accountancy, volume II*

Frank Wood (2005) *Business Accounting I & II*

NB: Please Consult the Librarian for more E- Resources