



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS AND ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE BACHELOR OF LOGISTICS AND**  
**SUPPLY CHAIN MANAGEMENT**  
**2<sup>ND</sup> YEAR 1<sup>ST</sup> SEMESTER 2016/2017 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: BBM 3211**

**COURSE TITLE: FINANCIAL ACCOUNTING**

**EXAM VENUE;**

**STREAM: BLSCM**

**DATE;**

**EXAM SESSION:**

**TIME: 3 HOURS**

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**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) What do you understand by 'Dissolution of Partnership'? Explain the procedure followed in settling the Accounts during dissolution of a Partnership Firm. **(12 Marks)**
- (b) Pass Journal entries in the books of lessee when: **(10 Marks)**
- Royalty is more than the minimum rent
  - Royalty is less than minimum rent
- (c) Establish the relationship between Cash Flow Statement and Income Statement **(8Mks)**

## Question Two

X, Y and Z were partners in a firm sharing profits and losses in the ratio of 3:2:1. They decided to dissolve their firm and following was their balance sheet on the date of dissolution

	Ksh		Ksh
Bank Balance	10000	Creditors	185000
Debtors	150000	Mrs. X's Loan	50000
Less Provision	<u>1000</u>	X's Loan	80000
Stock	800000	Investment Fluctuation fund	75000
Investments	200000	Life Policy Fund	150000
Joint Life Policy	400000	Capital Accounts:	
Plant	750000	X	750000
Goodwill	100000	Y	660000
		Z	<u>450000</u>
	<u>2400000</u>		<u>2400000</u>

Following transactions took place:

Joint Life Policy was surrendered for Sh. 180000. X took over the investments at 25% more than the book value. Y took over the debtors amounting to Sh. 50000 at Sh. 40000. Remaining debtors realised 75% of their book value. Stock was sold at Sh. 410000 and plant was sold at Sh. 400000. Expenses of realisation amounted to Sh. 10000. It was also found that there was a liability of Sh. 80000 for damages, which also had to be paid.

**Required:** Prepare necessary accounts to effect the dissolution **(20 Marks)**

## Question Three

Pass journal Entries to record the following transactions **(20 Marks)**

(i). A company redeems its 1000 Preference Shares of Sh. 100 each at a premium of 10%. For this, it issues 10000 Equity Shares of Sh. 10 each at par. The new issue is fully subscribed and paid for.

(ii). A company redeems its 1000 Preference Shares of Sh. 100 each at a premium of 10%. For this, it issued 10000 Equity Shares of Sh. 10 each at premium of 20%. The new issue is fully subscribed and paid for.

(iii). A company redeems its 1000 Preference Shares of Sh. 100 each at a premium of 10%. For this, it issues 4000 Equity Shares at Sh. 10 each at a premium of 5%, and for the rest, it utilises Profit and Loss Account which had a credit balance of Sh. 200000

## Question Four

From the following balance sheet of Kazungu Ltd As on March 31<sup>st</sup> 2014, Calculate; **(20 Marks)**

- i) Current Ratio
- ii) Quick Ratio

- iii) Absolute Liquidity Ratio
- iv) Ratio of inventory to Working Capital
- v) Ratio of Current Assets to Fixed Assets
- vi) Debt to Equity Ratio
- vii) Proprietary Ratio
- viii) Capital Gearing Ratio
- ix) Fixed Asset ratio

Kazungu Ltd.  
Statement of financial position  
As at 31<sup>st</sup> March 2014

<b>Assets</b>	<b>Shs</b>
Goodwill (At cost)	500000
Plant and Machinery	600000
Land and Building	700000
Furniture and Fixtures	100000
Stock-in-Trade	600000
Bills Receivable	30000
Debtors	150000
Bank	200000
Marketable Securities	<u>20000</u>
	<u>2900000</u>
<b>Liabilities</b>	
Equity Share Capital	1000000
6% Preference Share Capital	500000
General Reserve	100000
Profit and Loss Account	400000
Provision for Tax	176000
Bills Payable	124000
Bank Overdraft	20000
Creditors	80000
12% Debentures	<u>500000</u>
	<u>2900000</u>

**Question five**

(a) Write notes on the following;

- (i) Minimum Rent **(3 Marks)**
- (ii) Short-working **(3 Marks)**
- (iii) Sub-Lease **(3 Marks)**
- (iv) Sinking Fund **(5 Marks)**

(b) Give an elaborate distinction between a branch and a department **(6 Marks)**