



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS

ADMINISTRATION

3RD YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR

NAIROBI LEARNING CENTER

COURSE CODE: ABA 303

COURSE TITLE: FINANCIAL MANAGEMENT

DATE: 03/12/2018

EXAM SESSION: 11.30AM – 1.30 PM

TIME: 2 HOURS

12TH FLOOR RM. 1

Instruction:

- (i) Answer question ONE and any other TWO questions
 - (ii) Candidates are advised not to write on the question paper
 - (iii) Candidates must hand in their answer booklets to invigilator while in examination room
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QUESTION ONE

(a) Using relevant examples explain **four** concepts/ principles of financial accounting
(8marks)

(b) The users of financial statements are those groups identified as having reasonable right of information and whose information needs should be recognized.

Identify **four** groups and explain why each is interested in financial statements of a business enterprise

(4 marks)

(c) Draw up the asset, capital and liability accounts in the books of Nairobi ltd to record the following transactions

2013

June.

1 Started business with Sh, 50,000 in the bank

1. Bought motor van paying by cheque Sh.12,000
2. Bought fixtures sh.4,000 on credit from office masters Ltd
3. Bought a van on credit from motor cars ltd sh.8,000

12. took sh.1000 out of the bank and put it into the cash till Or

(15) bought fixtures paying by cash Sh.600

(19) paid motor car ltd by cheque Sh.8,000

(21) a loan of Sh.10,000 cash is received J.Marcus

(25) paid sh, 8,000 of the cash in hand into the bank account

(30) Bought more fixtures paying by cheque 3,000

Extract a trial balance of Nairobi Ltd as at 30th June 2013 after posting all the transactions in the c a above. **(18 marks)**

QUESTION TWO

(a) What is a partnership (2 marks)

(b) Draw up a profit and loss appropriation account for the year ended 31st December 2013

from from the following information and partners current accounts

- (i) Capital accounts: balances b/f W Sh.40,000, P Sh.30,000, H Sh.18,000
- (ii) Current accounts: balances b/f W Sh.1,860 , P Sh.946, H Sh.717
- (iii) Drawings: W Sh.9,200 , P Sh 7'100, H Sh.6,900
- (iv) Interest to be charged on capitals: W Sh.2,000 , P Sh 1,500, H Sh.,900
- (v) Interest to be charged on drawings: W Sh.240 , P Sh 180, H Sh.,130
- (vi) Net profits Sh.30,350
- (vii) Profits to be shared W 50% , P 30%, H 20%
- (viii) Salaries to be credited: P Sh.2,000, H Sh.3,500

Hint. Appropriation account

Capital account

Current account

QUESTION THREE

(a) Explain the purpose for which control accounts are prepared in a business Organization

(6marks)

(b) D T Ltd maintains control accounts in its business records .The balances and transactions relating to the company's control accounts for the month of December 2013 are listed below:

Balances 1st December 2013:

Sales ledger	6,185,000 (debit)
	52,500 (credit)

Purchases ledger	16,500 (debit)
	4,285,000 (credit)

Transactions during

December 2013:

Sales on credit	8,452,000
Purchases on credit	5,687,500
Return inwards	203,500
Return outwards	284,000
Bills of exchange payable	930,000
Bills of exchange receivable	615,000
Cheques received from customers	7,985,000
Cheques paid to supplies	4,732,000
Cash paid to suppliers	88,500
Bills payable dishonoured	400,000
Charges on bills payable	10,000

Cash received from credit customers	153,000
Bad debts written off	64,000
Cash discounts allowed	302,000
Bills receivable dishonoured	88,500
Balances at 31 st December 2013:	
Sales ledger	44,000 (credit)
Purchases ledger	
Purchases ledger	23,500 (debit)

Required:

Post the sales ledger and purchases ledger control accounts for the month of December 2013 and derive the respective debit and credit closing balances

(14 marks)

QUESTIONE FOUR

- (a) Explain with examples why cash a book differs with the bank statement **(4 marks)**
- (b) The balance in the cash book of Mr. D. Brawn as at 31st January, 2014 was Ksh.10.000 (credit). On the same date the balance as per the bank statement was Ksh.30,000.

On the examining the bank statement and the cash book, the following differences were observed.

- (i) Cheques totaling ksh.12,000 had been paid into the bank on 31 January, 2014 but were not credited by the bank until 1st February, 2014
- (ii) Bank charges amounted to Ksh.1500
- (iii) Standing order to KPLC of Ksh.2, 200 had been paid by the bank but not entered in the cash book
- (v) Dividend income amount Ksh. 11,000 collected by the bank did not appear in the cash book

(v) Cheques totaling Ksh.44, 700 had been paid to suppliers but not presented to the bank

Required

- (i) Adjusted cash book **(8 marks)**
- (ii) Bank reconciliation statement **(8 marks)**

QUESTION FIVE

On 31st March 2014 the trial balance that follows was taken out from the books of ZED ZED Ltd. prepare the trading profit or loss account for the year and the balance sheet as At that date after making the following adjustments

	DR	CR
Trial balance		92,230
Capital account		126,177
Sales		
Creditors		22,680
Other creditors		1,000
Purchases return		3,172
Bills payable		6,422
Plant and machinery	55,000	
Fixtures and fittings	1,720	

Factory fuel and power	542	
Office salaries	3,745	
Lighting (factory)	392	
Travelling expenses	925	
Carriage on sales	960	
Cash at bank	2,245	
Cash in hand	68	
Debtors	47,800	
Purchases	83,290	
Manufacturing	9,915	
Rent and taxes	1,765	
Office expenses	2,778	
Carriage on purchases	897	
Discount	422	
Drawings	6,820	
Stock 1st April 2013	21,725	
Manufacturing expenses	2,680	
Sales return	7,422	
Insurance	<u>570</u>	
	<u>251,681</u>	<u>251,681</u>

Adjustments

- (a) Depreciate plant and machinery 5% and fixtures and fittings 10%
- (b) Provide for doubtful debts 25% of debtors
- (c) Provision for rent for March Sh.150
- (d) Unexpired insurance was Sh. 70
- (e) Wages and salaries outstanding were shs.800 and shs.350 respectively

(f) Stock on 31ST March 2014 was Sh.16, 580

(i) Profit and loss account **(8 marks)**

(ii) Balance sheet **(7 marks)**

