



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS UNIVERSITY EXAMINATION FOR
DEGREE OF BACHELOR OF BUSINESSADMINISTRATION
KISII CAMPUS- PART TIME
1 YEAR 2nd SEMESTER 2018/2019 ACADEMIC YEAR

COURSE CODE: ABA 109

COURSE TITLE: INTRODUCTION TO ACCOUNTING II

EXAM VENUE: _____

STREAM: (BBA)

DATE: _____

EXAM SESSION: _____

TIME: _____

Instructions:

- 1. Answer question 1(compulsory) and ANY other two 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 30 MARKS

- (a) Discuss the main sources of revenue for non-profit organizations. (6 marks)
- (b) Explain clearly, in terms which a non-accountant would understand the following accounting concepts: (8 marks)
- (i) The going concern concept
 - (ii) The materiality concept
 - (iii) The matching concept
 - (iv) The consistency concept
- (c) Jane, James and John are in partnership, and the balance (all credit) on their Capital and Current accounts as at 1st January, 2016 were as follows:-

	Capital A/C Shs.	Current A/C Shs.
Jane	32,000	4,500
James	32,000	2,800
John	16,000	1,650

The partners share profit and losses in the ratio of their fixed capital accounts given above.

John is entitled to an annual salary of Shs. 14,500 which is credited to his current account.

During the year ended 31st December, 2016 the net trading profit of the partnership before providing for interest on capital at 5 percent to which the partners are entitled, and partnership salary was Shs. 80,500.

Private drawings by partners were:-

Jane	30,000
James	32,240
John	21870

Required:-

- i. An appropriate account showing the distribution for the firm's profit (6 marks)
- ii. The partners' current account incorporating the above matters. (10 marks)

QUESTION TWO 20 MARKS

- (a) Explain briefly the types of capital that a limited company can use. (6 marks)
- (b) The following balances were extracted from the books of Bidco traders limited as at 30th September, 2014.

Ordinary shares of sh. 20 each fully paid	600,000
8% preference shares sh. 20 each fully paid	100,000
Share premium account	80,000
6% loan stock	100,000
Trade creditors	148,000

Trade debtors	330,000
Sales	4,800,000
Purchases	4,220,000
Discounts allowed	5,000
Discounts received	13,000
Freehold buildings:-	
At cost	500,000
Provision for depreciation	50,000
Fixtures and fittings:-	
At cost	640,000
Provision for depreciation	256,000
Stock 1 st October, 2013	420,000
Returns inwards	80,000
Establishment expenses	130,000
Administration expenses	56,000
Selling and administration expenses	167,000
Bad debts written off	4,000
Provisions for doubtful debts	18,000
Retained profits 1 st October, 2013	362,000
Goodwill	160,000
Bank overdraft	25,000

The following additional information is available:

- i. Depreciation is provided annually on the cost of fixed assets held at the end of the financial year at the following rates:
 - Freehold buildings 20%, fixtures and fittings 10%
- ii. The trade debtor's balance includes sh. 10,000 due from Musa who has been declared bankrupt. In the circumstances it has decided to write the debt off as a bad debt.
- iii. The provision for doubtful debts as at 30th September, 2014 is to be 5% of trade debtors.
- iv. Establishment expenses prepaid at 30th September, 2014 amounted to sh. 4,000.
- v. Administration expenses accrued at 30th September, 2014 amounted to sh. 7,000.
- vi. The company paid the interest on the loan stock for year ended 30th September, 2014.
- vii. Closing stock was valued at sh. 560,000.
- viii. The company's directors propose that the preference share dividend be paid and a dividend of 10% on the ordinary shares be paid.

Required:-

- (a) Trading and profit and loss account and appropriation account for the year ended 30th September, 2014 of Bidco traders limited. (8 marks)
- (b) Balance sheet as at 30th September, 2014. (6 marks)

QUESTION THREE 20 MARKS

(a) Prepare the profit and loss account of the credit bank Limited, for the following particulars:
(14 marks)

	Shs.
Interest on Loans	259,000
Interest on fixed deposits	275,000
Rebate on bills discounted	49,000
Commission charged to customers	8,200
Establishment expenses	54,000
Discount on bills discounted	195,000
Interest on cash credit accounts	223,000
Interest on current accounts	42,000
Rent and taxes	18,000
Interest on overdrafts	54,000
Directors' and Auditors' fees	4,200
Interest on Savings Bank deposits	68,000
Postage and Telecommunications	1,400
Printing and Advertisement	2,900
Sundry charges	1,700

(b) Explain briefly three types of Loans given by banks in Kenya (6 marks)

QUESTION FOUR 20 MARKS

Bobby spikes		
Trial Balance as on 31 December 2002		
	Dr	Cr
Stock of raw materials 1.1.2009	21,000	
Stock of finished goods 1.1.2009	38,900	
Work in progress 1.1.2009	13,500	
Wages(direct £180,000: factory indirect£145,000)	325,000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost Kshs.)	230,000	
Accounting machinery (cost Kshs.)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Sales representatives' salaries	30,000	
Commission on sales	11,500	

Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1000,000
Debtors and creditors	142,300	125,000
Bank	56,800	
Cash	1,500	
Drawings	20,000	
Capital as at 1.1.2009		<u>29,680</u>
	<u>1,421,800</u>	<u>1,421,800</u>

Notes at 31.12.2009

1. Stock of raw materials Kshs. 24,000, stock of finished goods Kshs. 40,000, and work in progress Kshs. 15,000.
2. Lighting, and rent and insurance are to be apportioned: factory 5/6ths, administration 1/6ths.
3. Depreciation on productive and accounting machinery at 10 per cent per annum on cost.

Required:

Prepare a manufacturing, Trading Profit and Loss Account for the year ended 31 December 2009. (20 marks)

QUESTION FIVE 20 MARKS

- (a) State and briefly explain any three distinguishing features between (i) a receipts and payments account and (ii) an income and expenditure account. (6 marks)
- (b) The accountant of Kisii Sports Club has extracted the following information from the books of account for the year ended 31 March 2009.

Receipts	Sh	Payments	Sh
Balance brought forward	288,000	Salaries and wages	254,000
Subscriptions		New equipment	565,000
Year: 1999/2000	249,000	Repairs and maintenance	124,000
2000/2001	2,050,000	Office expenses	415,000
2001/2002	194,000	Printing and stationery	168,000
Dinner dance	723,000	Purchase of beverages	497,000
Beverage sales	657,000	Dinner dance expenses	315,000
Investments income	400,000	Refund of subscriptions	45,000
		Sports prizes	25,000
		Transport	248,000
		Investments	1,500,000
		Balance carried forward	<u>405,000</u>
	<u>4,561,000</u>		<u>4,561,000</u>

Balances as at

31 March 2000

31 March 2001

Furniture and fittings (net)	240,000	-
Equipment (net)	690,000	-
Investment at cost	3,500,000	-
Subscriptions in arrears	300,000	375,000
Salaries accrued	68,000	72,000
Stock of beverages	162,000	184,000
Subscriptions in advance	85,000	-

Additional information:

1. Subscriptions in arrears are written-off after twelve months.
2. Depreciation is provided for on reducing balance method at 10% and 20% per annum on furniture and fittings and equipment respectively.
3. Investments, which had cost Sh. 500,000, were sold on 30 March 2009 for Sh. 625,000. No entries have been made in the books in this respect.

Required:

- (a) Income and expenditure account for the year ended 31 March 2009. (12 marks)
- (b) Balance sheet as at 31 March 2009. (8 marks)