KENYATTA UNIVERSITY

CITY CAMPUS
UNIVERSITY EXAMINATIONS 2017/2018
FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BAC 101: FUNDAMENTAL OF ACCOUNTING II

DATE: MONDAY 12TH FEBRUARY 2018 TIME: 8.00 A.M. - 10.00 A.M.

INSTRUCTIONS: Answer **ALL** questions.

QUESTION ONE

The following is the receipts and payments account of the Friendship Club for the year ended 31 December 2017

	Sh '000'		Sh. '000'
Balance at bank			
31 December 2016	102	Bar purchases	4,434
Entrance fees	42	Wages	416
Subscriptions: 2016	25	Rent	186
2017	305	Heating and lighting	128
2018	35	Postage & stationery	33
Bar Sales	5,227	Insurance	18
Sale of investments	750	General expenses	46
		Payments of new furniture	450
		Balance at bank, 31 December 2017	775
	6,486		6,486

*INVOLVEMENT IN ANY **EXAMINATION IRREGULARITY** SHALL LEAD TO **DISCONTINUATION***

The following information is also given:

(1)

	31/12/2016	31/12/2017
	'000'	'000'
Bar stock, at cost	272	315
Creditors for bar purchases	306	358
Rent due	18	36
Heating and lighting expenses due	16	19
Subscriptions due	25	40
Insurance paid in advance	5	7

2) On 31 December 2016, the club held investments which cost ksh.500, 000. During the year ended 31 December 2017, these were sold for ksh.750, 000.

3) Furniture was valued at ksh.300, 000 on 31 December 2016. On June 2017, the club purchased additional furniture at a cost of ksh.520, 000. Depreciation of all furniture is to be provided for at the rate of 10% per annum.

Required:

(a) Prepare an income and expenditure account for the year ended 31 December 2017 **(12 marks)**

(b) Statement of financial position as at that date. **(8 marks)**

QUESTION TWO

Baibes Yoh owns and manages a small manufacturing business. The following balances have been extracted from her books of account as at 31st January 2018:

	Dr	Cr
	Sh	Sh
Capital at 1 February 2017		171,120
Accounts payable		86,000
Bank and cash balance	5,400	
Accounts receivable	92,000	
Drawings	60,000	

Administration expenses	150,360	
Advertising expenses	12,000	
Factory direct wages	60,000	
Factory indirect wages	24,000	
Factory power	36,000	
Furniture and fittings (all offices)	18,400	
Heat and light	16,000	
Plant and equipment	276,800	
Motor vehicle (used by salesmen)	144,000	
Plant hire	4,000	
Provision for bad debts		3,200
Provision for depreciation 1 February 2017:		
- Furniture and fittings		9,200
- Plant and equipment		138,400
- Motor vehicle		24,000
Raw material purchases	228,000	
Rent rates	20,000	
Sales		829,440
Selling and distribution expenses	66,400	
Inventories at cost, 1 February 2017:		
- Raw materials	8,000	
- Work in progress	16,000	
- Finished goods	24,000	
	1,261,360	1,261,360

The following additional information is provided:

(i) Accruals at 31 January 2018 were:

Factory power	-	Sh.1, 600
Rent and rates	-	Sh. 4,000

There was also prepayment of Sh. 800 for salesmen's motor vehicle insurance.

(ii) Inventories at 31st January 2018, were valued at cost as follows:

Raw materials	-	Sh. 15,200
Work in progress	-	Sh. 30,400
Finished goods	-	Sh. 45,600

(iii) Depreciation is to be charged on plant and equipment, motor vehicle, furniture and fittings at the rates of 20%, 25% and 10% per annum respectively on cost.

(iv) Expenditure on heat and light, and rent and rates is to be apportioned between the factory and office in the ratio of 9 to 1 and 3 to 2 respectively.

(v) The provision for bad debts is to be made equal to 5% of accounts receivable at 31 January 2018.

Required:

Prepare Baibes Yoh's

i. Manufacturing Trading and income statement for the year ended 31 January 2018 **(12 marks)**

ii. A statement of financial position as at 31st January 2018 **(10 marks)**

QUESTION THREE

a) Define a cash flow statement and explain three uses of cash flow statement to a business. **(4 marks)**

b) Slay Q beauty products business statement of financial position as at 31st March 2017 is as follows:

	2016		2017	
Non-current assets	**Sh.**	**Sh.**	**Sh.**	**Sh.**
Fixed cost: cost	5,000,000		5,000,000	
Depreciation	(2,000,000)	3,000,000	(2,200,000)	3,800,000
Current assets				
Stock	1,000,000		1,500,000	
Debtors	1,200,000		1,000,000	
Cash and bank	1,100,000		800,000	
	3,300,000		3,300,000	

Current liabilities				
Creditors	1,600,000		1,400,000	
Accruals	200,000		300,000	
	1,800,000	1,500,000	1,700,000	1,600,000
Net assets		**4,500,000**		**5,400,000**
Financed by:				
Capital	2,500,000		4,500,000	
Profit	3,000,000		3,600,000	
Drawings	(1,000,000)		(2,700,000)	
	4,500,000		**5,400,000**	

Additional information:

i. The drawings were made in cash

ii. There were no disposal of fixed assets.

Required

Cash flow statement in accordance with international accounting standard number 7 (IAS 7) using indirect method. **(12 marks)**

QUESTION FOUR

On 1 February 2017 the directors of Alpha Ltd issued 50,000 ordinary shares of sh.10 each at sh.12 per share, payable as follows:

On application	sh.5 (including the premium)
On allotment	sh.4
On first and final call	sh.3 payable on 1st May 2017

The lists were closed on 10th February 2017, by which date applications for 70,000 shares had been received. Of the cash received, sh.4, 000 was returned and sh.6, 000 was applied to the amount due on allotment, the balance of which was paid on 16 February 2017. All shareholders paid the call due on 1 May 2017, with the exception of one allotee of 500 shares. These shares were forfeited on 29 September 2017 and reissued as fully paid at sh.8 per share on 1st November 2017.

Required

You are required to write up the necessary accounts to record these transactions. **(12 marks)**