KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2010/2011

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT)

KBT 103: FINANCIAL ACCOUNTING IN AGRIBUSINESS

DATE: Wednesday 6th April 2011 TIME: 11.00a.m -1.00p.m

Instructions: Answer questions ONE and any other TWO.

Q1 (a) i. Name two financial account types (nature) and give an example in each case (4 marks).

ii. Name and briefly explain any three (3) generally accounting principles (GAAPS) - (6marks).

iii. Define each of the following:

Trial balance

Book keeping

Carriage inwards

Work-In-Progress

Partnerships (in business) – (5 marks).

(b). There are several reasons why temporary business accounts are closed (transferred) at the end of the accounting period. In a step-by-step process, give the order in which these accounts are closed (6 marks).

(c). Financial ratios are useful indicators of a firm's performance and financial situation. Financial ratios can be used to analyze trends and to compare the firm's financials to those of other firms. Give a brief explanation on each of the following financial ratios;

- Liquidity ratios
- Dividend policy ratios
- Financial leverage ratios
- Profitability ratios (8 marks).

(d) The 'balancing' of a trial balance may not be a sure sign that all the entries in the accounts are correct. What are some of the possible areas where errors may occur? (4 marks).

(e). Give a brief explanation on how the imprest system is used in the utilization of funds (4 marks)

(f). Briefly explain what is meant by incomplete accounting records (3 marks).

Q2. Following is a trial balance prepared from the general ledger of J. Migwi Trading business.

J. Migwi

Trial Balance as at 31st December 2010

	Dr	Cr
	Ksh	**Ksh**
Inventory of raw materials 1.1 2010	21,000	
Inventory of finished goods 1.1.2010	38,900	
Work-In-Progress 1.1.2010	13,500	
Wages (direct Ksh. 180,000; factory indirect Ksh. 145,000)	325, 000	
Royalties	7,000	
Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370, 000	
Productive machinery (Cost Ksh 28 0, 000)	230,000	
Administration computers (Cost Ksh 20,000)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administration salaries	44,000	

Sales' 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		1, 000, 000
Accounts receivable and accounts payable	142, 300	64, 000
Bank	16, 800	
Cash	1, 500	
Drawings	60, 000	
Capital as at 1.1. 2010	———	357, 800
	1, 421, 800	**1, 421, 800**

Notes at 31st December, 2010

1. Inventory of raw materials Ksh.24, 000; Inventory of finished goods Ksh. 40, 000; Work-in-progress Ksh. 15, 000.
2. Lighting, rent, insurance are to be apportioned: factory $^{5/6}$, Administration $^{1/6}$.
3. Depreciation on productive machinery and administration computers at 10% per annum.

From the information above, prepare the firm's manufacturing account and Income statement for the Year ended 31st December 2010 (15 marks).

Q3. From the following trial balance of S. Onyango, draw up a trading and profit and loss account for the year ended 30 September 2002, as at that date.

	Dr	Cr
	Ksh	Ksh
Stock 1 October 2009	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	

Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	332,890	332,890

(15 marks)

Q4. On 1May 2008 J. Kilemi, who is a retailer, had the following balances in his books: Premises Ksh. 70,000; Equipment Ksh. 8,200; Vehicles Ksh. 5,100; Inventory Ksh. 9,500; Trade accounts receivable Ksh. 150. Kilemi does not keep proper books of account, but bank statements covering the 12 months from 1May 2008o 30th April 2009 were obtained from the bank and summarized as follows:

	Ksh
Money paid into bank	
Extra capital	8,000
Shop takings	96,500
Received from debtors	1,400
Payments made by cheque:	
Paid for inventory purchased	70,500
Purchase of delivery van	6,200
Vehicle running expenses	1,020
Lighting and heating	940
Sales assistants' wages	5,260
Miscellaneous expenses	962

It has been discovered that, in the year ending 30th April 2009, the owner had paid into the bank all shop takings apart from cash used to pay (i) Ksh 408 miscellaneous expenses and (ii) Ksh. 500 per month drawings.

At 30th April 2009: Ksh7, 600 was owing to suppliers for inventory bought on credit. The amount owed by trade account receivable is to be treated as a bad debt. Assume that there had been no sales on credit during the year. Inventory was valued at Ksh 13,620.

Depreciation for the year was calculated at Ksh. 720 (equivalent) and Ksh. 1,000 (vehicles).

You are asked to prepare an income statement for the year ending 30th April 2009 (15 marks).