KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2014/2015

DIGITAL SCHOOL OF VIRTUAL AND OPEN LEARNING

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BAC 101: FUNDAMENTAL OF ACCOUNTING 1

DATE: Saturday, 2nd May, 2015 TIME: 8.00 a.m. – 10.00 a.m.

INSTRUCTIONS:

1. Answer **ALL** the questions.
2. Present answers logically.
3. Marks are indicated at the end of every question.

Q.1 a) Explain three (3) sources of income in the case of non-profit making concerns. (6 marks)

b) The following particulars relate to the Gurunanak club for the year ended 31st December, 2014.

Summary of Cash Book

	Sh.		Sh.
Balance b/d	2,350.00	Salaries	1,200.00
Entrance fees	300.00	Electricity	120.00
Subscriptions:		Other expenses	525.00
Arrears	50.00	Fixed Deposits	2,500.00
Current	3,500.00	Utensils	200.00
Advance	75.00	Creditors	1,000.00
Profit on Refreshments	100.00	Balance c/d	1,150.00
Sundry income	320.00		
	6,695.00		6,695.00

Additional Information:

1. The assets and liabilities on January 1, 2014 were:
   Utensils Sh.800, Furniture sh.2,500, Consumable stores Sh.350; creditors Sh.1,250.
2. On 31st December, 2014 the value of consumable stores was Sh.700, creditors Sh.550.
   Subscriptions outstanding were Sh.75 while interest Accrued on the fixed deposit was Sh.25.

   Required:

   Prepare the Income and Expenditure account for the year then ended 31st December, 2014 and the statement of Financial position as at that date.

(14 marks)

Q.2 A Limited Company issued a prospectus offering 20,000 shares of Sh.10 each at a premium of Sh.2 per share. The shares were payable per share as follows:

On application Sh.1.00

On allotment with premium Sh.4

On first call Sh.1.00

On Final call sh.4.00

Applications were received for 31,700 shares and the directors dealt with the applications as follows:

		No. of shares allotted
i)	Two applicants each holding 400 shares paid in full	3,800
ii)	Allotment of ⅔ of shares applied	16,000
iii)	Allotment of ¼ of shares applied	200

Application money was returned for 3,100 shares. Money received in advance of cells was retained until due dates.

All monies were received in full except for 500 shares on which final call was not received.

Required:

Show the ledger accounts to recognize the above transactions. (20 marks)

Q.3 The statement of financial position of two partners Rose and Benta who shared profits in the ratio of 2 : 1 is presented below:

		Sh.	Sh.
Capital Accounts			
Rose		30,000	
Benta		20,000	
Creditors		65,000	115,900
Assets:			
Cash	1,200		
Debtors	9,700		
Stock	20,000		
Machinery and Plant	35,000		
Buildings	50,000		115,900

On 31st December, 2014 they admitted Carren into the business for ⅓ share if the future profits with capital of Sh.15,000 and to bring in goodwill of Sh.6,000. Stock was to be valued down by 10% as well as machinery. Land was valued upwards by 20%. The amount of goodwill was to be withdrawn by the old partners.

Required: show;

i) Revaluation Account (3 marks)

ii) Partners Capital Accounts. (5 marks)

iii) Statement of Financial position after admission. (7 marks)

Q.4 Explain the following terms:

i) Work in progress. (3 marks)

ii) Mark up and margin (6 marks)

iii) Share forfeiture (3 marks)

iv) Surplus (3 marks)

(Total: 15 marks)