



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS JANUARY - APRIL 2017 SEMESTER**

### **BACHELOR OF COMMERCE**

**COURSE CODE: BCAC 101**

**COURSE TITLE: FINANCIAL ACCOUNTING II**

**DATE: 3 APRIL 2017**

**TIME: 11.30 AM – 2.30 PM**

---

#### **INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** All exam rooms are under CCTV surveillance during the examination period.

## SECTION A

### QUESTION ONE

- (a) Briefly state the reasons why a company would not wish to distribute all its profits to its shareholders. (5 marks)
- (b) The following balances were extracted from the books of Wamu Traders Ltd.as at 30 September 2000:

	Sh	
	Sh.	
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 <sup>o</sup> -o 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 I October 1999		420,000
Returns outwards	80,000	
Establishment expenses	130,000	
Administration expenses		56,000
Selling and distribution expenses		167,000
Bad debts written off	4,000	
Provision for doubtful debts	18,000	
Retained profit I October 1999		362,000
Goodwill		160,000
Bank overdraft		25,000

The following additional information is available:

- Depreciation is provided annually on the cost of fixed assets held at the end of the financial year at the following rate:

Freehold buildings	20%
Fixtures and fittings	10%
- The trade debtors balance includes Sh. 10,000 due from Musa who has now been declared bankrupt. In the circumstances, it has been decided to write the debt off as a bad debt.
- The provision for doubtful debts as at 30 September 2000 is to be 5%,% of trade debtors
- Establishment expenses prepaid at 30 September 2000 amounted to Sh.4,000.

5. Administration expenses accrued at 30 September 2000 amounted to Sh.7.000.
6. The company paid the interest on the loan stock for the year, ended 30 September 2000 on 30 October 2000.
7. Closing stock was valued at Sh.560,000.
8. The company's directors propose that the preference share dividend be paid and a dividend of 10% the ordinary shares be paid.

**Required:**

- (i) Statement of comprehensive incomes and appropriation account for the year ended 30 September 2000 of Wamu Traders Ltd. (8 marks)
- (ii) Statement of Financial Position 30 September 2000. (7 marks)

**(Total: 20 marks)**

**C)**

The cash book of Ramogi stores had a debit balance of sh 24000 on 30th June 2006. On the same date the bank statement had a credit balance of sh 25900. The two documents were compared and the following differences were realized.

- i) A cheque of sh 7600 deposited on June 29 had not been evident by the bank.
- ii) Cheque no. 003 drawn for sh 5,200 was recorded in the cash book as sh 2500
- iii) The bank had collected a cheque from debtors worth sh 9700.
- iv) The bank charges for the month amounted to sh 1600
- v) A cheque issued to a creditor of sh 11,200 was paid by the bank as sh 12000
- vi) A cheque drawn against Runninga stores for sh 6800 was charged in error against Ramogi stores account
- vii) A standing order of sh 5500 had been paid by the bank
- viii) A dividend cheque for sh 9000 had been collected and credited by the bank.
- ix) Unrepresented cheques amounted to sh 15,800.

Required.

- a) Prepare an adjustment cash book (10 marks)
- b) Bank reconciliation statement (10 marks)

**GRAND TOTAL (40 MARKS)**

## QUESTION TWO

The following trial balance was extracted from the books of Literary and, Philosophical Society as at 30 September 2000:

	Sh.	Sh.
Balance at bank current account	724,800	
Accumulated fund 1 October 1999		5,771,200
Land and building at cost	3,700,000	
Debtors for subscription	62,000	
Furniture and fittings	1,874,000	
Provision for depreciation of furniture and fittings		284,000
Subscriptions		1,450,800
Lecturers' fees	920,000	
Lecturers' travel and accommodation expenses	358,000	
Donations		108,000
Camera and projector repairs	17,000	
Projectors, cameras and audio equipment	190,400	
Depreciation of equipment		54,400
Rates and water	277,000	
Lighting and heating	367,200	
Rental of rooms		495,000
Wages – caretaker	880,000	
Restaurant	1,600,000	
Bar staff	800,000	
Purchase of food	1,565,800	
Stock- bar 1 October 1999	473,600	
Bar receipts,		4,032,000
Bar purchases	2,842,000	
Restaurant receipts		3,642,000
Loan		1,600,000
Deposit account – bank	1,000,000	
Interest payable and receivable		36,000
Creditors for bar and food		<u>178,400</u>
	<u>17,651,800</u>	<u>17,651,800</u>

### Additional information:

- 1: The bar stock was valued at Sh.642.800 as at 30 September 2000.
2. It is expected that of the debtors for subscriptions, Sh.43.600 will not be collectable.
3. The interest account is net. The loan is at a concessional rate of 4% while 10% has been earned on the deposit account. No changes have taken place all year in the principal sums involved.
4. An invoice for Sh.43.000 of wine had been omitted from the records at the close of the year although the wine had been included in the bar stock valuation.
5. Depreciation for the year is to be provided as follows:  
Furniture and fittings Sh. 194.000  
Projectors. Cameras etc. Sh. 19.000

**Required:**

- (a) Bar and restaurant trading account for the year ended 30 September 2000. (6 marks)  
 (b) An income and expenditure account for the year ended 30 September 2000. (8 marks)  
 (c) A balance sheet as at 30 September 2000. (6 marks)

**(Total: 20 marks)****QUESTION THREE**

Nzioka is a grocer who has not kept complete books of account. The following was a summary of his bank statements for the year ended 31 October 2000:

	<b>Sh.</b>		<b>Sh.</b>
Amounts credited by bank	7,034,000	Balance 1 November 1999	178,400
		Payments to trade creditors	6,100,000
		Rent and rates	95,000
		Fixtures	20,000
		Lighting and heating	42,000
		General expenses	160,000
		Loan interest	24,000
		Drawings	180,000
		Customer cheque dishonoured	36,000
		Balance 31 October 2000	<u>198,600</u>
	<u>7,034,000</u>		<u>7,034,000</u>

The following information is also available

- Trading receipts consists partly of cash and partly of cheques. During the year, Nzioka had paid out of his cash takings wages amounting to Sh.590,000 and sundry expenditure of Sh.28,000. He retained Sh.600 a week (assume 52 ~weeks in a year) pocket money and maintained a balance of Sh.4,000 in the till to change. The balance of his takings, together with cheques amounting to Sh.50,000 which he had cashed out of his takings was paid into the bank.
- Cheque drawn payable to trade creditors. But not presented at 1 November 1999 amounted to Sh.56,000 and at 31 October 2000 Sh.64,000.
- All dishonoured cheques were re-presented and honoured during the year.
- The loan interest was paid to the lender who had lent Nzioka Sh.800,000 some years ago at a rate of 3% p.a. The interest was duly paid half-yearly on 31 January and 31 July and the loan was still outstanding at the close of the year.
- Discounts allowed by trade creditors amounted to Sh.96,000 and those allowed to debtors were Sh.104,000.

1.	As at 1 November 1999	31 October 2000
	Sh.	Sh.
Stocks	900,000	1,600,000
Trade debtors	560,000	640,000 (includes a bad debt Sh. 40,000)
Accrued general expenses	48,000	38,000 (to be written off)
Rates paid in advance	8,000	10,000
Fixtures valued at	560,000	510,000
Trade creditors	360,000	440,000
Creditors for lighting and heating	16,000	14,000

**Required:**

- (a) A statement of Nzioka's capital on 1 November 1999. (10 marks)
- (b) Profit and loss account for the year ended 31 October 2000 and a balance sheet at that date. (10 mark)
- (Total: 20marks)**

**QUESTION FOUR**

- (a) Explain giving examples the distinguishing features of liabilities, provisions and reserves. (8 marks),
- (b) State how each of these items in (a) above are to be included and shown in the financial statements of a company (12 marks)
- (Total: 15marks)**

**QUESTION FIVE**

- a) Give atleast five types of errors not disclosed by a trial balance (10 marks)
- b) Question Three Brian Barmouth is a sole trader. At 30 June 2000 the following balances have been extracted from his books:

	Sh.
Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00
Rates	2,800.00
Heating and Lighting	1,200.00
Telephone	650.00
Discounts allowed	1,150.00
Opening stock	500.00
Returns inwards	200.00

Returns outwards	150.00
Premises	40,000.00
Plant and Machinery	5,000.00
Motor Vehicles	12,000.00
Debtors	12,500.00
Bank balance	7,800.00
Creditors	3,400.00
Loan-long term loan	10,000.00
Capital	60,000.00
Drawings for the year	4,000.00
Closing stock	550.00

Required: Prepare a trial balance, from the above list of balances.10 marks