



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS MAY - AUGUST 2023 SEMESTER

DIPLOMA IN ACCOUNTING

COURSE CODE: DBAC 011

COURSE TITLE: PRINCIPLES OF FINANCIAL ACCOUNTING II

DATE: 3 AUGUST 2023

TIME: 8:00 AM – 11:00 AM

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: COMPULSORY Question One

Shycohna started a grocery business on 1st January 2023 with a capital of Kshs. 210,000 in cash. She rented premises for Kshs. 5,000 per month payable in arrears on the first day of the month. Also on 1st of January 2023, she borrowed Kshs 60,000 from her friend, Jymo at the rate of 12% p.a.

The following were her business transactions for the three months ended 31st March 2023.

6 th January	Purchased 2 nd hand Motor cycle for Kshs 15,000 in cash
9 th January	Purchased goods on credit from Mark Ltd Kshs 33,500
16 th January	Paid wages Ksh 4,000
20 th January	Purchased goods for cash Kshs. 18,000
24 th January	Sold on credit to Gladys Kshs. 21,000
30 th January	Paid wages Kshs 2,000
4 th February	Sold goods on credit to Mrs Keya kshs. 10,000
6 th February	Paid Mark Kshs 30,000 on account
9 th February	Gladys paid Kshs 21,000
13 th February	Paid wages Kshs 2,500
18 th February	Purchased goods on credit from Chipo Kshs 112,000
25 th February	Sold goods for cash Ksh 60,000
26 th February	Received Kshs 7,000 from Mrs Keya
27 th February	Paid wages Kshs 2,500
1 st March	Returned defective goods to Chipo and was credited Kshs 400
4 th March	Sold goods on credit to Gladys Ksh 30,500
12 th March	Paid wages Ksh 3,000
15 th March	Sold goods for cash Kshs 16,000
18 th March	Gladys paid Kshs 12,500 on account
18 th March	Sold goods to Gladys on credit Kshs 6,800
26 th March	Paid wages Kshs 4,000
26 th march	Paid Chipo in full settlement
29 th March	Drew Kshs 20,000 from the business
31 st March	Paid quarterly loan interest

As at 31st March 2023, inventory amounted to Kshs 7,500

Required

- a) Pass the necessary journal entries and the post the transactions to the relevant 'T' ledger accounts [22 Marks]
- b) Extract a trial balance as at 31st March 2023 [8 Marks]
- c) Prepare a Trading Profit and Loss account for the three months ended 31st March 2023 and a balance sheet at that date [10 Marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

Beth and Kiplagat commenced business as partners trading as Beki enterprises on 1st July 2022 and sharing profits and losses in proportion to their capital contribution. Beth introduced stock of saleable goods valued at Ksh 200,000 in addition to cash of Ksh 300,000 as her capital. Kiplagat on his part brought in Ksh 1,000,000 in cash as his capital. Beth was to be fully engaged in the running of the business and she was therefore entitled to Ksh 35,000 salary per month. The partners were to receive 10% interest on their capital contribution. No interest was to be charged on partners' drawings and the partners maintain current accounts separate from their capital accounts

The following was the partnership Trial Balance for the year ended 30th June 2023

	Debits	Credits
Purchase	4,800,500	
Sales		10,845,250
Capital: Beth		500,000
: Kiplagat		1,000,000
Bank loan		1,580,888
Motor vehicle	3,250,000	
Furniture & fittings	750,000	
Office equipments	425,000	
Cash Balance	194,500	
Bank balance	799,220	
Trade debtors	1,870,000	
Salaries & wages	1,224,555	
Telephone & postage	84,741	
Electricity & water	134,004	
Motor vehicle running expenses	151,250	

Motor vehicle repairs & maintenance	221,245	
General office expenses	109,844	
Printing & stationery	66,324	
Transport & travelling	73,322	
Trade creditors		248,890
Bad debts written off	4,050	
Discounts allowed	15,225	
Discounts received		20,072
Drawings: Beth	4,125	
: Kiplagat	17,195	
Total	<u>14,195,100</u>	<u>14,195,100</u>

Additional information

- Closing stock was valued at Ksh 295,280
 - Depreciation was provided on a reducing balance basis at 25%, 20% and 15% on Office equipments, Motor vehicles and Furniture & fittings respectively
- a) Prepare the partnership income statement and compute the partnership profit/[loss] for the year ended 30th June 2023 **[7 Marks]**
- b) Prepare partners current accounts showing the balances to be carried forward **[7 Marks]**
- c) Prepare the balance sheet as at 30th June 2023 **[6 Marks]**

Question Three

Dubois limited, a privately owned company manufacturer's farm implements. The following list of balances was extracted from their books of account as at 30th June 2023

Shs

Inventory as at 1st July 2022

Raw materials	1,270,000
Work in progress	1,555,000
Finished goods	1,163,000
Purchase of raw materials	4,576,750
Carriage of raw materials	98,000
Direct labour	4,210,400
office salaries	1,670,950
Rent	260,000
Electricity [office]	221,000
Depreciation expense Machinery	510,000
Equipment [office]	115,000
Sales	15,931,100
Electricity [factory]	406,000

Additional information;-

1. Inventory as at 30th June 2023 was given as follows:-

Shs

Raw materials 1,445,000

Work in progress 1,230,000

Finished goods 1,442,000

2. Rent is to be apportioned between the factory and office in the ratio of 3:1

3. Finished goods are transferred from factory to sales at Mark up of 20%

4. The values of opening and closing inventory are given at the transfer price

Required:-

i] Manufacturing account for the year ended 30th June 2023

[10 Marks]

ii] Income statement for the year ended 30th June 2023

[10 Marks]

Question Four

The following Trial balance was extracted from the books of Dale limited for the financial year ended on the 30th day of June 2023

	Dr	Cr
Sales		10,500,500
Stocks	1,500,500	
Purchases	4,450,000	
Salaries & wages	1,655,000	
Telephone & postage	125,000	
Electricity & water	98,000	
Travelling & transport	111,000	
General expense	25,800	
Motor vehicles	1,500,000	
Computers & accessories	350,000	
Share capital		100,000
Retained earnings		528,105
Trade creditors		2,000,250
Bank loan		3,000,000
Trade debtors	5,333,555	
Bank balance	855,000	
Cash balance	125,000	
TOTAL	<u>16,128,855</u>	<u>16,128,855</u>

Additional information

i. Stock on 30th June 2023 was valued at K.sh 1,450,000

ii. Depreciation was provided at 20 % and 12.5% on Motor vehicles and other depreciable assets respectively

a) Prepare profit and loss statement and compute the net profit/[loss] for the year

[10 Marks]

b) Prepare the company's Statement of the Financial Position as at 30th June 2023

[10 Marks]

Question five

The following information relates to Motor vehicles account of Décor limited for the five years ended 31st December 2022

- i) 1:1:2018 Bought a lorry KB 005A for Ksh 10,000,000
- ii) 1:7:2018 Bought another lorry KB 004B for Ksh 8,000,000
- iii) 30:6:2019 Bought a van KB 013C for Ksh 4,800,000
- iv) 31:12:2019 Bought another lorry KB 012D for 12,000,000
- v) 1:4:2020 KB 005A was sold for Ksh 6,350,000
- vi) 1:9:2020 Bought another lorry KB 021E for 13,000,000
- vii) 31:1:2021 KB 004B was involved in an accident and was written off and the company was compensated Ksh 1,850,000 by the insurance company
- viii) 31:3:2021, another Van KB 037X was bought for Ksh 5,000,000
- ix) 1:4:2022 sold KB 013C for 1,200,000

The company uses the straight-line depreciation model to provide depreciation at 10% p.a prorated on time [month] basis.

Required

a) Motor vehicle account for the five years ended on 31st December 2022 [6 Marks]

b) Accumulated depreciation as well as a depreciation account for the five years

[8 Marks]

c) Motor vehicle disposal account for the entire period

[6 Marks]