



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY-APRIL 2025 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 101

COURSE TITLE: FINANCIAL ACCOUNTING 2

DATE: APRIL 2025

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **TWO** 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

- a) Bibi Maridadi owns and manages a small manufacturing business. The following balances have been extracted from her books of account at 31 January 2023:

	Dr	Cr
	Sh	Sh
Capital at 1 February 2022		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 2022:		
– 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 2022:		
– Raw materials	8,000	
– Work in progress	16,000	
– Finished goods	<u>24,000</u>	
	<u>1,261,360</u>	<u>1,261,360</u>

The following additional information is provided:

- (i) Accruals at 31 January 2023 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 31 January 2023, 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 2023.

Required:

- i) prepare manufacturing, and Income Statement for the year ended 31 January 2023 **[8 Marks]**
- ii) Statement of financial position as at that date as at that date. **[8 Marks]**

b) On 10 January 2019, you received his monthly bank statement for December 2018. The statement showed the following.

MIDWEST BANK				
F Mercer: Statement of Account				
Date	Particulars	Debits	Credits	Balance
2018		Kshs	kshs	kshs
Dec 1	Balance			1,862
Dec 5	417864	243		1,619
Dec 5	Dividend		26	1,645
Dec 5	Bank Giro Credit		212	1,857
Dec 8	417866	174		1,683
Dec 10	417867	17		1,666
Dec 11	Sundry Credit			1,851
Dec 14	Standing Order	32	185	1,819
Dec 20	417865	307		1,512
Dec 20	Bank Giro Credit			1,630
Dec 21	417868	95	118	1,535
Dec 21	416870	161		1,374
Dec 24	Bank charges	18		1,356
Dec 27	Bank Giro Credit			1,403
Dec 28	Direct Debit	88	47	1,315
Dec 29	417873	12		1,303
Dec 29	Bank Giro Credit			1,582
Dec 31	417871	25	279	1,557

His cashbook for the corresponding period was as follows.

CASH BOOK

2018		shs	2018		Cheque No	shs
Dec 1	Balance b/d	1,862	Dec 1	Electricity	864	243
Dec 4	J Shannon	212	Dec 2	P Simpson	865	307
Dec 9	M Lipton	185	Dec 5	D Underhill	866	174
Dec 19	G Hurst	118	Dec 6	A Young	867	17
Dec 26	M Evans	47	Dec 10	T Unwin	868	95
Dec 27	J Smith	279	Dec 14	B Oliver	869	71
Dec 29	V Owen	98	Dec 16	Rent	870	161
Dec 30	K Walters	134	Dec 20	M Peters	871	25
			Dec 21	L Philips	872	37
			Dec 22	W Hamilton	873	12
			Dec 31	Balance c/d		<u>1,793</u> <u>2,935</u>
		<u>2,935</u>				

Required

- i) Bring the cash book balance of Kshs 1,793 up to date as at 31 December 2018. **[8 Marks]**
- ii) Prepare a bank reconciliation statement as at 31 December 2018 **[6 Marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

The balances and transactions affecting the control accounts of Kimathi LTD, for the month of November 2019 are listed below:-

	Sh.
Balances on 1 November 2019:	
Sales ledger	9,123,000 (debit)
	211,000 (credit)
Purchases ledger	4,490,000 (credit)
	88,000 (debit)
Transactions during November 2019:	
Purchases on credit	18,135,000
Allowances from suppliers	629,000
Receipts from customers by cheques	27,370,000

Sale on credit	36,755,000	
Discount received	1,105,000	
Payments to creditors by cheques	15,413,000	
Contra settlements	3,046,000	
Bills of exchange receivable	6,506,000	
Allowances to customers	1,720,000	
Customers cheques dishonored	489,000	
Cash received from credit customers	4,201,000	
Refunds to customers for overpayments	53,000	
Discounts allowed	732,000	
Balances on 30 November 2019		
Sales ledger	136,000	(credit)
Purchases ledger	67,000	(debit)

Required:

- a) The sales ledger control account [10 Marks]
b) The Purchases ledger control accounts for the month of November 2019 [10 Marks]

Question three

Chi Knitwear Ltd is an old fashioned firm with a handwritten set of books. A trial balance is extracted at the end of each month, and a profit and loss account and balance sheet are computed. This month, however, the trial balance did not balance, the credits exceeding debits by Kshs1,536. You are asked to help and after inspection of the ledgers discover the following errors:

- i. A balance of Kshs87 on a debtor's account has been omitted from the schedule of debtors, the total of which was entered as debtors in the trial balance.
- ii. A small piece of machinery purchased for Kshs1,200 had been written off to repairs.
- iii. The recipients' side of the cashbook had been under cast by Kshs720.
- iv. The total of one page of the sales daybook had been carried forward as Kshs8,154, whereas the correct amount was Kshs8,514.
- v. A credit note for Kshs179 received from a supplier had been posted to the wrong side of his account.
- vi. An electricity bill in the sum of Kshs152, not yet accrued for, is discovered in a filing tray.
- vii. Mr. Smith, whose past debts to the company had been the subject of a provision, at last paid Kshs731 to clear his account. His personal account has been credited but the cheque has not yet passed through the cashbook.

Required

- i) Journal entries to record the above information [12 Marks]
ii) Suspense account [8 Mark]

Question Four

- a) The following is a list of debtors for the recent years relating to Kimwana enterprises. Due to high rates of bad debts, Kimwana decided to write them off and decided to create a provision for bad debts at the rate of 2% per annum on the remaining debtors with effect from year 2016.

2016	Kshs 5000,000	Bad debts Kshs 200,000
2017	Kshs 5,500,000	Bad debts Kshs 400,000
2018	Kshs 6,000,000	Bad debts Kshs 300,000
2019	Kshs 9,000,000	

Required;

- i) Debtors account **[6 Marks]**
 - ii) Bad debts account **[4 Marks]**
 - iii) Provision for bad and doubtful debts account **[4 Marks]**
- b) Explain the following terms as used in non-profit making organisation
- i) Surplus **[2 Marks]**
 - ii) Deficit **[2 Marks]**
 - iii) Accumulated fund **[2 Marks]**

Question Five

Njoroge bought a motor vehicle on 30th June 2015 on credit from Karis motors LTD at Kshs 200,000. On the same day, he bought a tractor worth Ksh, 300,000. He decided to provide for depreciation at the rate of 20% per annum reducing balance method. His financial year ends 31st December. In the year 2017 April 1st, he purchased another vehicle worth kshs 2,000,000. In the year 2017 September 30th, he disposed the tractor at Kshs, 180,000 and was paid using a cheque. On the same day, he bought another tractor worth Kshs 500,000. According to the organisations policy, a full year's depreciation is provided in the year of purchase and non in the year of disposal.

Required;

- i) Motor vehicle and tractors account (cost approach) **[6 Marks]**
- ii) Provision for depreciation on motor vehicles and tractors **[6 Marks]**
- iii) Accumulated depreciation for both assets **[6 Marks]**
- iv) Disposal of the tractor account **[2 Marks]**