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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(COMPUTER SCIENCE)

Date: 27th July, 2022
Time: 11.30am – 1.30pm

KAC 101 - PRINCIPLES OF ACCOUNTING 11

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Outline the difference between debenture loan and share capital. (6 Marks)
- b) A, B and C are in partnership sharing profits and losses in the ratio of 3:2:1. The following is their statement of financial position as at 31st December 2020.

The statement of financial position as at 31st December 2020.

| | Shs. | Shs. |
|---------------------------------|---------------|----------------------|
| Fixed Assets | | |
| Premises | | 15,000 |
| Motor vehicle | | 3,800 |
| Furniture | | <u>1,200</u> |
| | | 20,000 |
| Current Assets | | |
| Stock | 5,500 | |
| Debtors | 3,700 | |
| Bank | <u>1,400</u> | |
| Total | 10,600 | |
| Less current Liabilities | | |
| Creditors | <u>5,600</u> | 5,000 |
| Total | | <u>25,000</u> |
| Capital Accounts | | |
| A | | 12,000 |
| B | | 8,000 |
| C | | <u>4,000</u> |
| Total | | 24,000 |
| Current Accounts | | |
| A | | 2,000 |
| B | | 1,800 |
| C | | <u>(2,800)</u> |
| | | 1,000 |
| Total | | <u>25,000</u> |

The partners decide to dissolve the partnership as 1st January 2021. The premises and stock were sold for sh. 3,000. The debtors realized sh. 3,000. Motor vehicles and furniture and fittings were sold for sh. 2,500 and 1,100 respective. C is declared insolvent.

Required

- i) Prepare realization accounts (5 Marks)
- ii) Partners' capital account (4 Marks)
- iii) Bank account (5 Marks)
- c) On 31st December 2019 the following information was provided for Rex Limited Authorised share capital 1000000 shares of sh. 1 each. Issued share capital 50000 shares of sh. 1 each. The balance in the income statement was shs. 30,000 credit. The directors decided to make a bonus issue of one ordinary share fully paid for every two held.
Required
Show the relevant entries in the ledger accounts. (5 Marks)
- d) Outline four limitations of ratios analysis. (5 marks)

QUESTION TWO (20 MARKS)

- a) The following information relates to South End Ltd for the year ended 31st Dec 2018

| | |
|--|--------|
| Cash and cash equivalents | 000 |
| Jan 2018 | 8,952 |
| Dec 2018 | 10,043 |
| Operating profit | 4,100 |
| Depreciation charges | 1,080 |
| Proceeds of sale of tangible assets book value 116,000 | 96 |
| Increase in working capital | 165 |
| Issuance of ordinary share capital | 400 |
| Expenses in connection with share | 10 |
| Purchases of intangible fixed assets | 2540 |
| Purchases of tangible fixed assets | 2460 |
| Corporation tax paid | 1570 |
| Interest received | 2290 |

Required

- Prepare a cash flow statement for the year ended 31st Dec 2018 (10 marks)
- b) Explain the following terms as used in company accounts.
 - i) Bonus issue (2 marks)
 - ii) Right issue (2 marks)
 - iii) Over subscription (2 marks)
 - iv) Under subscription (2 marks)
 - v) Redemption of shares (2 marks)

QUESTION THREE (20 MARKS)

- a) Nyota ltd. is an expanding private company in the electric trade? accounts prepared in January 2017 included the following information

Income statement for the year ended 31st December 2016

| | 2015 | 2016 |
|-------------------------------|-------------------|-------------------|
| | shs (000s) | shs (000s) |
| Sales | 2,000 | 3,200 |
| Less cost of goods sold | 1,100 | 1,800 |
| Gross profit | 900 | 1,400 |
| Less. Trading expenses | 450 | 550 |
| Trading profit | 450 | 850 |
| Less; debenture interest | 25 | 25 |
| Net profit before taxation | 425 | 825 |
| Less: corporation tax | 160 | 320 |
| Net profit after taxation | 265 | 505 |
| Less: ordinary share dividend | <u>125</u> | <u>175</u> |
| Undistributed profit for year | <u>140</u> | <u>330</u> |

Statement of financial position

| Description | 2015 | 2016 | Description | 2015 | 2016 |
|--|-------------|-------------|--------------------------|-------------|-------------|
| Source of capital | | | fixed assets at cost | 1000 | 1400 |
| Ordinary share | | | less depreciation | 200 | 250 |
| Capital authorized & issue (sh1 share) | 500 | 500 | | 800 | 1150 |
| Undistributed profit | 350 | 680 | current assets | | |
| 10% debentures | 250 | 110 | Stocks | 400 | 550 |
| | | | Debtors | 250 | 550 |
| | | | Cash | 80 | - |
| | | | | 730 | 900 |
| | | | Less current liabilities | | |
| | | | Creditors | 145 | 200 |
| | | | Taxation | 160 | 330 |
| | | | Proposed dividends | 125 | 175 |
| | | | Bank overdraft | - | |
| TOTALS | 1100 | 1290 | | 1100 | 1290 |

Required

- i) Calculate six accounting ratios for the year 2015 which you feel would be of particular value in assessing the profitability and liquidity performance of electric ltd.
(10 marks)

- ii) Comment on the current position of electric ltd using the accounting ratios calculated above, (5 marks)
- b) Discuss the procedure of dissolving a partnership. (5 marks)

QUESTION FOUR (20 MARKS)

The trial balance of Nana Ltd. As at June 2021 is as follows:

| | Dr. Shs. | Cr. Shs. |
|--|-------------------------|-------------------------|
| Share capital: Authorised and issued | | 700,000 |
| Stock as at 30 June 2021 | 410,000 | |
| Debtors | 361,780 | |
| Creditors | | 155,427 |
| 10% debentures | | 200,000 |
| Fixed asset replacement reserve | | 50,000 |
| General reserve | | 100,000 |
| Profit and loss account as at 30 June 2022 | | 74,960 |
| Debenture interest | 10,000 | |
| Equipment at cost | 480,500 | |
| Motor vehicle at cost | 390,000 | |
| Bank | 100,643 | |
| Cash | 7,350 | |
| Purchases | 140,000 | |
| Sales | | 640,490 |
| Returns inwards | 13,964 | |
| Carriage outwards | 3,700 | |
| Wages and salaries | 64,000 | |
| Rent, rates and insurance | 30,300 | |
| Discount allowed | 14,640 | |
| Directors remuneration | 32,000 | |
| Provision of depreciation: | | |
| Equipment | | 10,200 |
| Motors | | 127,800 |
| | <u>2,058,877</u> | <u>2,058,877</u> |

Additional information

- Stock on 30 June 2022 was Shs. 460,310
- The share capital consisted of 50,000 ordinary shares of shs. 10 each and 20,000, 10 per cent preference shares of sh. 10 each. The dividend on the preference shares was proposed to be paid as a dividend at 20 per cent on the ordinary shares.
- Accrued rent shs. 6,000, director's remuneration shs. 20,500
- Debenture interest $\frac{1}{2}$ year's interest owing
- Depreciation on cost: Equipment 10 per cent, motors 20 per cent.
- Transfer to reserves: Shs. 12,000 to General reserves and Shs. 30,000 to asset replacement reserve.

Required

- The income statement account for the year ended 30 June 2022. (10 Marks)
- and statement of financial position as at 30 June 2022. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) The treasurer of the Magana Social Club has prepared the following:

Receipts and Payments Account for the year ended 31st December 2013

| Receipts January 2013 | Shs | Payments December 2013 | Shs |
|---------------------------|----------------|---------------------------|----------------|
| Cash and Bank | 11,410 | Wages | 30,870 |
| Deposits | 36,400 | Rent and Rates | 7,000 |
| 31 st December | | Repairs to Pavilion | 4,900 |
| Member Subscriptions | 31,710 | Games and equipment | 23,450 |
| Bar Receipts | 142,240 | New lawn mower | |
| Surplus on dances | 13,510 | (Less proceeds of sale of | |
| Interests on deposits | 1,960 | the old mower sh. 3150) | 10,850 |
| Donations | 980 | Bar purchases | 106,680 |
| Competition fee | 1,260 | Secretarial charges | 3,290 |
| | | Miscellaneous expenses | 3,500 |
| | | Prizes | 1,540 |
| | | Cash and Bank | 8,540 |
| | | Deposits | 38,850 |
| | <u>239,470</u> | | <u>239,470</u> |
| Additional Information | | | |

- i. The other assets and liabilities were as follows:

| | 1.1.2013 | 31.12.2013 |
|--|----------|------------|
| Value of bar stock | 9,170 | 7,700 |
| Subscription due but not received | 3,990 | 3,040 |
| Creditors for bar suppliers | 2,800 | 2,310 |
| Amount due for secretarial services | 1,400 | 1,610 |
| Miscellaneous expenses paid in advance | 840 | 560 |

- ii. At 1 January 2013 the book values of the fixed assets were Pavilion Sh. 101,500 (cost sh. 224,000) and lawn mower shs. 1,050 (cost sh. 9,456)
- iii. The club provided depreciation on fixed assets on straight line basis at the rate of 10% per annum on new lawn mower and games equipment.
- Required:
- Statement showing the Accumulated Fund at 1 January 2013. (6 Marks)
 - An income and expenditure account for the year ended 31st December 2013. (6 Marks)

- b) Discuss reasons why companies do not distribute all their profits to the shareholders.

(8 marks)