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

Date: 20th April, 2022
Time: 8.30am –10.30am

KAC 200 - PRINCIPLES OF ACCOUNTING 1

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Differentiate between a joint venture and a partnership. (4 Marks)
- b) Differentiate between a stock split, a scrip dividend and a rights issue. (6 Marks)
- c) Highest the key provisions of the Garner Vs Murray rule. (5 Marks)
- d) The following balances were extracted from the financial statements of Kamulu Limited as at 31st December 2019.

	<u>'000</u>
Freehold land and buildings at cost	14300
Plant and machinery at cost	10500
Accumulated depreciation on plant and machinery	2300
Purchase of raw materials	13000
Sales	31750
Factory rates	300
Factory heat and light	650
Accounts receivable	3720
Accounts payable	3090
Wages (including Shs1570000 for supervision)	6300
Direct factory expenses	910
Selling expenses	1100
Office salaries and general expenses	4300
Bank	2450
General reserve	3000
Retained profits	1800
Inventory 1st January 2019: Raw materials	2000
Finished goods	3800

Dividends paid: Preference shares	84
Ordinary shares	2000

The inventory at 31st December 2019 was: raw materials Shs2, 200, 000, finished goods Shs3, 500, 000

- o Salaries include Shs670, 000 for directors' fees.
- o Depreciation is to be charged at 10% on cost of plant and machinery.

Required

Prepare a manufacturing account and income statement for the year ending 31st December 2019.

(15 Marks)

QUESTION TWO (20 MARKS)

Bolo, Chege and Fama entered into a joint venture for dealing in strawberries, between May and July 2014.

The transactions connected with this venture were as follows

- o Bolo rented land for two months for Shs60000
- o Chege supplied plants at Shs51000
- o Bolo employed labour for planting Shs26000
- o Chege charged motor expenses Shs4900
- o Bolo employed labour for fertilizing Shs18000
- o Bolo paid the following expenses, sundries Shs1900, Labour 21000, fertilizer Shs7400
- o Fama employed labour for harvesting strawberries Shs41600
- o Fama paid sales expenses Shs31800
- o Fama received Shs291600 as sales proceeds.
- o Profit on the venture which is supposed to be apportioned: Bolo four-sevenths, Chege two-sevenths; Fama one-seventh. Any outstanding balances between the parties were settled by cheque at the end of July.

Required

- a) Show the joint venture accounts in the books of Bolo, Chege and Fama. (12 Marks)
- b) Show in full the method for arriving at the sharing of profits. (8 Marks)

QUESTION THREE (20 MARKS)

Sarah's Cash Book showed an overdraft of shs.10, 480 on 31st December 2021. On the same date, her Bank Statement showed a credit balance of shs.3, 800. On investigation the following was discovered;

- i) Cheques totaling shs.3, 060 returned by the bank as 'refer to Drawer' had not been entered in the cash book.
- ii) Ledger fees shs.1, 800 and cheques book charges shs.240 debited by the bank have not been entered in the cash book.
- iii) Cheques totaling shs.26, 100 received from debtors and deposited in the bank on 31st December 2021 were credited by the bank on 4th January 2022.
- iv) Payment by cheques amounting to shs.49, 380 to creditors made during December 2021 were not reflected in the bank statement.
- v) Dividends amounting to sh.2, 100 were received and credited by the bank but no entry was made in the cash book.
- vi) Three payments of sh.2, 000 each made by the bank as per standing order to his landlord have not been recorded in the cash book.

Required;

- a) Updated cash book as at 31st December 2021. (9 Marks)
- b) Bank reconciliation Statement as at the same date. (5 Marks)
- c) List and explain five causes of the differences of the cash book balance and the bank statement balance. (6 Marks)

QUESTION FOUR (20 MARKS)

Majimbo Limited issued 2000,000 ordinary shares with a par value of Kshs.10 each to the public at a price of Ksh. 15 per share payable as follows:

- i) On application (Including premium) Sh8
- ii) On allotment Shs2
- iii) 1st call Sh3
- iv) 2nd and final call Sh2

Applications were received for 3,000,000 shares. Applications for 1,000,000 shares were rejected using the Majimbo system and application monies refunded. All other applicants were accepted and shares allotted. One applicant, a Mr. Mururu who was allotted 20,000 shares failed to pay for the second and final call. These shares were forfeited and reissued at Shs8 fully paid.

Required:

- a) Bank account. (5 Marks)
- b) Relevant call accounts. (10 Marks)
- c) Balance sheet after the transactions. (5 Marks)

QUESTION FIVE (20 MARKS)

The following is the statement of financial position for Patel, Livondo and Situk who are in partnership.

Patel, Livondo and Situk
Statement of Financial Position
As at 31st December 2011

Buildings (at cost)		8,000,000
Motor vehicles (cost less depreciation)		1,650,000
Office fittings (cost less depreciation)		<u>180,000</u>
		9,830,000
Inventory	610,000	
Accounts receivable	740,000	
Bank	<u>80,000</u>	<u>1,430,000</u>
Net assets		<u>11,260,000</u>
<u>CAPITAL</u>		
Patel		6,000,000
Livondo		3,000,000
Situk		<u>2,260,000</u>
Total Capital		<u>11,260,000</u>

The partners have always shared profits and losses in the ratio of Patel4: Livondo2: Situk1. From 1st January the assets were to be revalued as the profit sharing ratios are to be altered soon. The following assets are to be revalued as stated: Buildings 10,600,000, Motor vehicles 1,300,000, Inventory 489,400, Office fittings 145,000.

Required

- a) Show all the ledger accounts necessary to record the revaluation. (10 Marks)
- b) Draw up a statement of financial position as at 1st January 2012. (10 Marks)