

Kasarani Campus Off Thika Road Tel. 2042692 / 3 P. O. Box 49274, 00100 NAIROBI Westlands Campus Pamstech House Woodvale Grove Tel. 4442212 Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY UNIVERSITY EXAMINATION, 2024/2025ACADEMIC YEAR FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE (BUSINESS ADMINISTRATION)

Date: 6th December, 2024 Time: 8.30am – 10.30am

KAC 2101 - FUNDAMENTALS OF ACCOUNTING 11

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS_

QUESTION ONE (30 MARKS)

- a) State and explain principal distinctions between unlimited partnerships and limited companies. (8 Marks)
- b) Peter and Naomi are partners in the partnership, sharing profit and losses in the ratio 3:2. The following is the trial balance in the partnership books as at 31 December 2020.

		Sh.	Sh.
Capital account at 1 January 2020	Peter		16,400
	Naom		13,200
Drawings	Peter	3,600	
	Naom	2,400	
Provision for doubtful debts			480
Purchases		101,640	
Sales			131,860
Vans at cost		11,600	
Fittings at cost		2,400	
Provision for depreciation	Vans		5,920
-	fittings		1,140
Stock 1 January 2020		17,360	
Petty cash		40	
Office expenses		6,400	
Vehicle expenses		3,960	
Motor car at cost (1 January 2020)		1,600	
Debtors and creditors		12,200	4,200
Bank			540
Salaries		7,360	
Insurance		620	
Discount allowed		2,560	
		173,740	173,740

Additional Information

- Stock at 31 December, 2020 was valued at Shs. 26,380.
- Depreciation is to be provided at 10% per annum, on the written down value of the fittings and at 20% per annum of the written down value of the vans and cars.Peter is to bear personally sh. 400 of the vehicle expenses and one half of the depreciation charge on the car.
- No rent has been paid on the business premises during the year because of the dispute with the landlord. The rental agreement provides for a rent of 928 per year.
- Bad debts of sh. 200 are to be written off, and the provision for doubtful debts to be adjusted to 2.5% of the remaining debtors.
- Insurance sh. 70, has been paid in advance at 31 December 2020.
- Salaries, sh. 370, were owing at 31 December 2020.
- An item of sh. 70 for bank charges appears in the bank account.
- The partners are entitled to interest on capital at 10% per annum.

Required:

Prepare the partnership income statement and statement of financial position as at 31 December 2020.

(8 Marks)

- c) King Kaka is setting up a new business. Before actually selling anything, he bought a van for KES 720,000, a market stall for KES 320,000 and a stock of goods for KES240,000. He did not pay in full for his stock of goods and still owes KES 160,000 in respect of them. He borrowed KES 800,000 from Femi One. After the events just described, and before trading starts, he has KES 64,000 cash in hand and KES 176,000 cash at the bank. What is the amount of his capital? (4 Marks)
- A business had always made allowance for doubtful debts at the rate of 5% of accounts receivable. On 1 January 2020 the amount for this, brought forward from the previous year, was KES 245,000. During the year to 31 December 2020 the bad debts written off amounted to KES 126,000. On 31 December 2020 the accounts receivable balance was KES 7,400,000 and the usual allowance for doubtful debts is to be made. What is the balance on the allowance for doubtful debts account at the end of 2020? (6 Marks)
- e) A machine costs KES 4,200,000. It will be kept for 4 years and then sold for an estimated figure of 600,000. The company uses a depreciation rate of 30%. What is the depreciation for year 3 using the straight line and reducing balance methods? (4 Marks)

QUESTION TWO (20 MARKS)

a) Mwanafunzi is preparing his statement of cash flows for the 12 months to 30 September 2020 and you determine the following facts in relation to that financial year:

	KES
Net profit for the year	360,000
Depreciation expenses	93,000
Increase in inventory	46,000
Decrease in accounts receivable	72,000
Decrease in accounts payable	57,000

On the basis of the above information, what net cash will have been generated from operating activities according to the statement of cash flows?

(7 Marks)

b) XYZ limited issued 100,000 shares of sh. 10 each at sh. 14 on 1st January, 2020. Show the necessary entry in the ledger account.

				(8 Marks)	
c)	On 1 January 2020 t	he COPA Club had the	following assets:		
	Cash at bank KES 3	5,000			
	Canteen inventory K	ES 28,500			
	Club house building	Club house buildings KES 2,250,000			
	During the year to $\overline{31}$ December the Club received and paid the following amounts:				
	Receipts	Ksh	Payments	Ksh	
	Subscriptions 2019	89,200	Rent and rates	38,400	
	Subscriptions 2020	9,700	Canteen purchases	96,200	
	Canteen income	153,600	Secretarial expenses	6,100	
	Visitors' fees	16,600	Interest on loan	6,700	
	Loan from bank	140,800	Canteen expenses	15,400	
	Competition fees	20,900	Games equipment	51,300	
	Notes: The snack bar inventory on 31 December 2020 was KES 29,400				
	What is the canteen	net profit?		(5Marks)	

QUESTION THREE (20 MARKS)

Ted owns a small factory in which he manufactures a standard toy called vuvuzela. On 1st January 2012, he had 3,000 units of vuvuzela in stock. During 2022 he manufactured 100,000 units and sold 95,000 units at a price of sh. 6 per unit.

The following balances were extracted from his ledger on 31st December, 2022.

	Sh.
Stock of raw materials 1.1.2022	11,640
Stock of raw materials 31.12.2022	16,280
Purchase of raw material	134,500
Carriage on raw material	41,200
Direct wages	92,700
Factory exp. Rent and rates	38,400
Power and Heat	17,200
Insurance	15,640
Plant and machinery (net of depreciation on	1 st January, 2022) sh. 150,000

Required:

a)

b)

ii)	Prime cost	(3 Marks
iii)	Factory cost of entire production in 2022	(4 Marks
iv)	Factory cost per unit of vuvuzela manufactured in 2022	(3 Marks

(7 Marks)

QUESTION FOUR (20 MARKS)

a) The rent account in the ledger of Mfanyaji Biashara indicated arrears of KES 34,000 as at 1 January 2020. During 2020 Mfanyaji Biashara paid KES 272,000 for rent byMPesa. As at 31 December 2020, rent prepaid was KES 68,000.What is the amount transferred to the Statement of Comprehensive Income account for Mfanyaji Biashara in respect of rent for the year ended 31 December 2020?

(7 Marks)

b) The following summary of the club's receipts and payments was prepared by its treasurer from 2017:

	Shs.		Shs.
Balance b/f	5,400	Salaries	6,200
Subscriptions	23,000	Travelling	7,800
Donations	2,100	Stationery and postage	600
Gate moneys	6,500	Electricity & telephone	500
Sale of old sports' kit	1,000	Refreshments	5,200
		Purchase of new sports kit	4,000
		Purchase of new uniforms	3,800
		Repairs to sports kit	700
		Maintenance of sports ground	3,400
		Balance c/f	<u>5,800</u>
	<u>38,000</u>		<u>38,000</u>

Additional information: -

- Sports ground was acquired several years ago on a 100 years lease for shs. 50,000.
- The old sports kit sold during the year had a book value of shs. 1,500.
- Write down furniture by sh. 300 and uniforms by sh. 3,500.

Required:

i)	Club's income and expenditure account for 2017.	
		(6 Marks)
ii)	Balance sheet as at 31 st December, 2017	

(7 Marks)

QUESTION FIVE(20 MARKS)

a)	Briefly describe four types of capital.			(1 Marks)	
b) The following figures are given for the year 2018 for Ratios Ltd.				the year 2018 for Ratios Ltd.	(4 Marks)
	Purcha Invent Invent A unif	ases ory 31.12.2020 ory 1.1.2020 Form rate of man	KES 850,00 180,00 330,00 rk-up of 25% is	00 00 00 s applied.	
	Requi	red:			
	Calculate the sales for the period year ended 30 th June, 2022.			(3 Marks)	
c)	A firm Openi Purcha Closin	n has the follow ng stock: ases: ng:	ing data for the Sh. 20.000 sh. 300,000 sh. 30,000	e period:	(0 1014185)
	Requi	red;			
	Calculate the stock turnover ratio			(3 Marks)	
d)	Jackson gives you the following information as at 30 th June 2022.				
	Jackso	Stock 1 st July, Purchases Expenses ons's mark-up is	2021 s 50%. His ave	sh. 6,000 sh. 54,000 sh. 14,700 rage stock during the year was sh. 12,000.	
	i)	Calculate the o	closing stock a	s at 30 th June, 2022.	(5 Marks)
	11)	Draw up a trac	ung, profit and	1 loss account for the year ended 30 th June, 20	(5 Marks)