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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: 15<sup>th</sup> December, 2022  
Time: 2.30pm –4.30pm

**KAC 200 - PRINCIPLES OF ACCOUNTING 1**

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) A joint venture and a partnership have a lot in common. Discuss the key areas of difference between a partnership and a joint venture. (4 Marks)
- b) Discuss the characteristics of not-for-profit organisations clearly bringing out why they are so called. (6 Marks)
- c) The following information was obtained from Kambiti (a farmer from Sukari) on his farming activities for the year ended 31 March 2021:

	Opening stock Shs.	Closing stock Shs.
Crops	30,000	37,500
Group crops	22,500	33,750
Seeds	15,000	18,750
Cattle	562,500	787,500
Cattle food	75,000	41,250
Poultry	67,500	101,250
Poultry food	7,500	15,000
Fish	15,000	24,000
Fertilizers	37,500	22,500
Purchases during the year:		
Poultry		
Seeds	112,500	
Cattle	11,250	
Fish	300,000	
Cattle food	7,500	
Fertilizers	105,000	
Poultry food	26,250	
	22,500	

Sales during the year:

Butter	
Milk	11,250
Eggs	67,500
Crops	97,500
Flowers	157,500
Fruits	11,250
Cattle	30,000
Poultry	270,000
Fish	105,000
Vegetables	45,000
	37,500

Expenses during the year:

Wages	176,250
Insurance	11,250
Depreciation	15,000
Repairs	9,000
Consumption of farm products by proprietor	Sh.
Butter	3,000
Milk	18,750
Eggs	3,750
Vegetables	4,500
Poultry	1,500
Fish	750
Fruits	2,250

Required:

From the information given above, prepare the following accounts for Kambiti for the year ended 31 March 2021:

- |                     |           |
|---------------------|-----------|
| i) Crop account;    | (5 Marks) |
| ii) Fish account    | (5 Marks) |
| iii) Dairy account  | (5 Marks) |
| iv) Poultry account | (5 marks) |

## **QUESTION TWO (20 MARKS)**

Baraka Ltd has an authorized share capital of 200000 shares with a par value of Shs10 each. The company made an IPO to the public for the total shareholding on the following terms

- On application Shs2
- On Allotment (including premium) Shs6
- First call Shs3
- Second and final call Shs4

Applications were received for 250000 shares. The directors prorated the applications on the basis of 4 shares for every 5 applied for. Excess application monies were to be applied to allotment.

All other calls were honoured as expected except for one applicant for 2000 shares who failed to honour the first and second calls. The shares were subsequently forfeited and later reissued at shs10 fully paid up.

Required: Post the following accounts in relation to the above

- |                                      |           |
|--------------------------------------|-----------|
| i) Application and allotment account | (3 Marks) |
| ii) First call account               | (2 Marks) |
| iii) Second call account             | (2 Marks) |
| iv) Calls-in-arrears account         | (2 Marks) |
| v) Forfeited shares account          | (2 Marks) |
| vi) Bank account                     | (4 Marks) |
| vii) OSC account                     | (3 Marks) |
| viii) Share premium account          | (2 Marks) |

### **QUESTION THREE (20 MARKS)**

The following balances were extracted from the financial statements of Kamulu Limited as at 31st December 2021.

	<b><u>'000</u></b>
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 2021: Raw materials	2000
Finished goods	3800
Dividends paid: Preference shares	84
Ordinary shares	2000

- The inventory at 31st December 2021 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

- |  |            |
|--|------------|
| a) A manufacturing account.                                    | (14 Marks) |
| b) An income statement for the year ending 31st December 2021. | (6 Marks)  |

#### **QUESTION FOUR (20 MARKS)**

Discuss the key differences between a realization account and a revaluation account.

Discuss the key provisions of the Garner V Murray Rule in relation to a partnership dissolution.

Sarah's Bank Statement showed a credit balance of shs.1, 065 on 31<sup>st</sup> December 2021

The following were entries in the bank statement

i) Deposits Shs11640, Shs 1745, shs2500 and shs3600

ii) Debit entries.

○ Cheque No. 716 shs7200

○ Cheque No. 717 Shs1360

○ Cheque No. 719 Shs3400

○ Cheque No. 721 Shs2840

○ Unpaid cheque Shs4250

○ Bank charges Shs50

○ Cheque No. 718 Shs4850

○ Standing order rent Shs5000

iii) The cash book (bank column) had the following entries

Balance b/f Shs8400

Debits/deposits Shs 11640, shs1745, Shs3600, Shs4245

Credits; Cheque No. 716 Shs7200, Cheque 717 Shs1360, Cheque 718 Shs 4850, Cheque 719 shs3400, cheque720 Shs 2610, cheque 721 shs2840, cheque 722 Shs3180

Required

a) Updated cash book as at 31<sup>st</sup> December 2021.

(9 Marks)

b) Bank reconciliation Statement as at the same date.

(5 Marks)

c) List and explain any four causes of the difference between the cash book and the bank statement balances.

(6 Marks)

#### **QUESTION FIVE (20 MARKS)**

a) Discuss the factors that an entrepreneur would need to bear in mind in determining the amount to pay as goodwill for a going concern business that he is considering acquiring.

(8 Marks)

b) Your uncle is involved in poultry farming, bee keeping, dairy and fish farming all in small scale. He does not see the need to keep proper books of accounts and is wondering why you have to learn accounting at the university.

Discuss the kind of records that you expect your uncle to be keeping clearly explaining to him the importance of keeping proper books of accounts.

(6 Marks)

c) Discuss the features of farming activities that make their accounting to be unique.

(6 Marks)