



Kasarani Campus
Off Thika Road
P. O. Box 49274, 00101
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATIONS, 2022/2023 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER, END OF SEMESTER EXAMINATIONS
BACHELOR OF EDUCATION (ARTS)
KAC 2410: PRINCIPLES OF MANAGERIAL ACCOUNTING

Date: 5th December 2022

Time: 2.30pm-4.30pm

INSTRUCTION TO CANDIDATES:

ANSWER QUESTION ONE (COMPULSORY AND ANY OTHER TWO QUESTIONS)

QUESTION ONE (30 MARKS)

a) Kiriri traders has the following assets and liabilities as on 30 November 2020:

Creditors Sh.39,500,000

Equipment Sh.115,000,000

Motor vehicle Sh.62,900,000

Stock Sh.61,500,000

Debtors Sh.57,700,000

Cash at bank Sh.72,800,000

Cash in hand Sh.400,000

During the first week of December 2022, Jump:

i. Bought extra equipment on credit for Sh.13,800,000

ii. Bought extra stock by cheque Sh.5,700,000

iii. Paid creditors by cheque Sh.7,900,000

iv. Received from debtors Sh.8,400,000 by cheque and Sh.600,000 by cash.

v. Put in an extra Sh.2,500,000 cash as capital.

Required;

i) Compute the balance on the capital account as at 30 November 2020.

(4marks)

ii) You are to record the above transactions in respective accounts.

(6 marks)

b) State and briefly explain any three distinguishing features between

(i) a receipts and payments account

(3 marks)

(ii) an income and expenditure account.

(3marks)

c) Discuss the three limitations of financial ratios in using them to evaluate business performance.

(6 marks)

d) A budget is a financial blue print which shows the resources the company intends to utilize, their sources and targeted outcome. It is a quantitative economic plan for a company covering a specific period of time. It's a plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that

period and the capital to be employed to attain the given objective”. Discuss the four functions of preparing a budget in any departments. (8 marks)

QUESTION TWO(20 MARKS)

MUNA ENTERPRISE

Trial Balance as on 31 December 2020

Stock of raw materials 1.1.2020	21,000		
Stock of finished goods 1.1.2020	38,900		
Work in progress 1.1.2020	13,500		
Wages(direct £180,000: factory indirect£145,000)		325,000	
Royalties		7,000	
Carriage inwards (on raw materials)	3,500		
Purchases of raw materials	370,000		
Productive machinery (cost Kshs. 280,000)	230,000		
Accounting machinery (cost Kshs. 20,000)	12,000		
General factory expenses	31,000		
Lighting	7,500		
Factory power	13,700		
Administrative salaries	44,000		
Sales representatives' salaries	30,000		
Commission on sales	11,500		
Rent	12,000		
Insurance	4,200		
General administration expenses	13,400		
Bank charges	2,300		
Discounts allowed	4,800		
Carriage outwards	5,900		
Sales			1,000,000
Debtors and creditors	142,300	125,000	
Bank		56,800	
Cash		1,500	
Drawings		20,000	
Capital as at 1.1.2020			<u>29,680</u>
		<u>1,421,800</u>	<u>1,421,800</u>

Notes at 31.12.2020

1. Stock of raw materials Kshs. 24,000, stock of finished goods Kshs. 40,000, work in progress Kshs.15,000.
2. Lighting, and rent and insurance are to be apportioned: factory 5/6ths, administration 1/6th.
3. Depreciation on productive and accounting machinery at 10 per cent per annum on cost.

Required:

Prepare in vertical format:

a) Manufacturing, Trading and Profit and Loss Account for the year ended 31 March 2020 . (12 marks)

b) Balance Sheet as at that date. (8 marks)

QUESTION THREE(20MARKS)

- a) You are to enter the following transactions, completing the double entry in the books for the month of May 2020 (10 marks).

2012

- May 1 Started business with ksh200,000 in the bank.
 “ 2 Purchased goods ksh17,500 on credit from M rooks.
 “ 3 Bought furniture and fittings ksh15000 paying by cheque.
 “ 5 Sold goods for cash ksh27,500.
 “ 6 Bought goods on credit ksh110,504 from P Scot.
 “ 10 Paid rent by cash ksh15000.
 “ 12 Bought stationery ksh2700, paying in cash.
 “ 18 Goods returned to M Rooks ksh2300.
 “ 21 Let off part of the premises receiving rent by cheque ksh5000.
 “ 23 Sold goods on credit to U Foot for ksh77000.
 “ 24 Bought a motor van paying by cheque ksh300000.
 “ 30 Paid the month’s wages by cash ksh11700.
 “ 31 The proprietor took cash for himself ksh44000.

- b) Explain any two accounting principles clearly explaining their relevance in accounting (6 marks)
 c) Describe four factors that causes the capital to change. (4 marks)

QUESTION FOUR(20 MARKS)

- a) Explain four uses of financial ratios.

(8 marks)

- b) The following financial statements relate to the ABC Company:

Assets	Shs.	Liabilities & Net worth	Shs.
Cash	28,500	Trade creditors	116,250
Debtors	270,000	Notes payable (9%)	54,000
Stock	<u>649,500</u>	Other current liabilities	100,500
Total current assets	948,800	Long term debt (10%)	300,000
Net fixed assets	<u>285,750</u>	Net worth	<u>663,000</u>
	<u>1,233,750</u>		<u>1,233,750</u>

Income Statement for the year ended 31 March 2020

Sales	Shs.
Less cost of sales	1,972,500
Gross profit	<u>1,368,000</u>
Selling and administration expenses	604,500
	<u>498,750</u>
Earning before interest and tax	105,750
Interest expense	<u>34,500</u>
Estimated taxation (40%)	71,250
Earnings after interest and tax	<u>28,500</u>
	<u>42,750</u>

Required

- a) Calculate:
- i) Inventory turnover ratio; (3 marks)
 - ii) Times interest earned ratio; (3 marks)
 - iii) Total assets turnover; (3 marks)
 - iv) Net profit margin (3 marks)

QUESTION FIVE (20 MARKS)

The following are the records of the County Cricket Club which has not kept a full set of accounts;

Assets and liabilities	sh	sh
	2016	2017
Fixed assets (book value)	85,000	?
Investments (long term)	20,000	20,000
Debtors	1,000	1,000
Creditors (bar purchases)	600	800
Bar stock	3,000	3,500
Wages owing	400	600
Prepaid insurance	100	200
Balance at bank	2,000	?
Subscriptions outstanding	300	350
Summary of the bank transactions in the year:2017	Payments	Receipts
	sh	sh
Purchase of new fixed assets	15,000	
Wages (bar staff)	26,000	
Insurance	10,000	
Rent and rates	6,000	
Postage and stationery	2,800	
Payments to suppliers (bar)	67,000	
Sundry expenses	1,500	
Bar sales		136,000
Subscriptions received		15,500
Investment income		1,000
It has been decided to depreciate fixed assets by	25%.	

Required:

- a) Calculate
- (i) The accumulated fund as at 01.03.2016. (3marks)
 - (ii) The bank balance as at 28 February2017. (3 marks)
- b) Prepare the
- i. Bar trading account for the year ended 28 February2017. (3 marks)
 - ii. Prepare the income and expenditure account for the year ended 28 February 2017.(8 marks)
 - iii. Balance sheet as at 28February2017. (3 marks)