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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
SECOND YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 12th April, 2023
Time: 2.30pm –4.30pm

KAC 200 - INTERMEDIATE ACCOUNTING 1

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Differentiate a revaluation account from a realization account. (3 Marks)
- b) Discuss the key characteristics of a not-for profit organisation that make them unique. (6 Marks)
- c) Discuss 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 2021.

	<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 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

- i) A manufacturing account (10 Marks)
- ii) Income statement for the year ending 31st December 2021. (6 Marks)

QUESTION TWO (20 MARKS)

Bolo, Chege and Fama entered into a joint venture for dealing in strawberries, between May and July 2021.

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.

Profits are to be apportioned in the ratio 4:2:1 respective

Required

Joint venture accounts in the books of

- i) Bolo (5 Marks)
- ii) Chege (5 Marks)
- iii) Fama. (5 Marks)
- iv) The sharing of profits and final cash settlements. (5 Marks)

QUESTION THREE (20 MARKS)

Burger Ltd has an authorized capital of Shs1000000 divided into 200000 shares of Shs5 each. The whole of the shares were issued at par payments being made as follows.

Payable on application	0.50
Payable on allotment	1.50
First call	2.00
Second and final call	1.00

Applications were received for 326000. It was decided to refund application monies for 26000 shares belonging to foreign nationals and to allot the balance on the basis of two shares for every three applied for. The excess application monies sent by the applicants was not going to be refunded but would be held and thus reduce the amount payable on allotment. The calls were made and paid in full with the exception of one member holding 1000 shares who paid neither the first call nor the second call monies and another member who did not pay the second call on 200 shares. After requisite action by the directors the shares were forfeited. They were later reissued at a price of Shs4 per share fully paid.

Required

- i) Post the information to the cash book. (5 Marks)
- ii) Prepare the relevant call accounts (10 Marks)
- iii) Prepare the balance sheet immediately after the transactions. (5 Marks)

QUESTION FOUR (20 MARKS)

The following information was obtained from the records of a farmer from Mwihoko on his farming activities for the year ended 31 March 2018:

	Opening stock Shs.	Closing tock 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
Fertilizers	37,500	22,500
Purchases during the year:		
Poultry	112,500	
Seeds	11,250	
Cattle	300,000	
Cattle food	105,000	
Fertilizers	26,250	
Poultry food	22,500	
Sales during the year:		
Butter	11,250	
Milk	67,500	
Eggs	97,500	
Crops	157,500	
Flowers	11,250	
Fruits	30,000	
Cattle	270,000	
Poultry	45,000	
Vegetables	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	
Fruits	2,250	

Required;

From the information given above, prepare the following accounts for Kambiti for the year ended 31 March 2018:

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|------|-----------------|-----------|
| i) | Crop account | (7 Marks) |
| ii) | Dairy account | (7 Marks) |
| iii) | Poultry account | (6 Marks) |

QUESTION FIVE (20 MARKS)

- a) Discuss the factors that would lead to the full dissolution of a partnership business
(6 Marks)
- b) 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;
- Cheques totaling shs.3, 060 returned by the bank as 'refer to Drawer' had not been entered in the cash book.
 - Ledger fees shs.1, 800 and cheques book charges shs.240 debited by the bank have not been entered in the cash book.
 - 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.
 - Payment by cheques amounting to shs.49, 380 to creditors made during December 2021 were not reflected in the bank statement.
 - Dividends amounting to sh.2, 100 were received and credited by the bank but no entry was made in the cash book.
 - 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;

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|-----|---|-----------|
| i) | Updated cash book as at 31 st December 2021. | (9 Marks) |
| ii) | Bank reconciliation Statement as at the same date. | (5 Marks) |