



The Co-operative University of Kenya

SUPPLEMENTARY / SPECIAL EXAMINATION AUGUST-2019 EXAMINATION FOR THE DIPLOMA IN LEADERSHIP MANAGEMENT / BANKING & FINANCE

UNIT CODE: DMBM 1101 / DMBF 1101

UNIT TITLE: FINANCIAL ACCOUNTING

DATE: 30TH AUGUST, 2019

TIME: 11:30 AM – 1:30 PM

INSTRUCTIONS:

- Answer question ONE (compulsory) and any other TWO questions

QUESTION ONE

- a) Explain FOUR differences between Manufacturing and Merchandising Entities (8 Marks)
- b) Mr. Maliyamungu started a manufacturing business recently. The following information has been extracted from the business.

PARTICULARS	DR	CR
Purchase of raw materials	258,000	
Fuel and light	21,000	
Administration salaries	17,000	
Factory wages	59,000	
Carriage outwards	4,000	
Rent and rates	21,000	
Sales		482,000
Returns inward	7,000	
General office expenses	9,000	
Repairs to plant and machinery	9,000	
Stock at 1 January 2018		
Raw materials	21,000	
Work in progress	14,000	
Finished goods	23,000	
Sundry creditors		37,000
Capital account		457,000
Freehold premises	410,000	
Plant and machinery	80,000	
Debtors	20,000	
Provision for depreciation on Plant & Machinery at 1 January 2018		8,000
Cash in hand	11,000	
	<u>984,000</u>	<u>984,000</u>

Additional information available are as follows;

- i. Stock in hand at 31 December 2018
 - Raw materials 25,000
 - Work in progress 11,000
 - Finished goods 26,000
- ii. Depreciation of 10% on plant and machinery – straight line method
- iii. 80% of fuel and light and 75% of rent and rates to be charged to manufacturing
- iv. Doubtful debts provision – 5% of sundry debtors
- v. KES. 4,000 outstanding for fuel and light
- vi. Rent and rates paid in advance –KES. 5,000
- vii. Market value of finished goods –KES. 382,000

Required

Prepare the following reports for the business as at 31st December 2018

- | | |
|--------------------------------------|------------|
| I. Manufacturing Account | (6 Marks) |
| II. Trading, Profit or Loss Account | (10 Marks) |
| III. Statement of Financial Position | (6 Marks) |

QUESTION TWO

Wanjiru and Waithira are in a partnership. They share profits in the ratio: Wanjiru 30% while Waithira gets the remainder. The following trial balance was extracted as at 31st Dec 2018

PARTICULARS	DR	CR
	9,200	
Motor vehicle at cost	21,400	
Provision for depreciation 31. 12. 2017		
motor vehicles		12,800
office equipment		3,600
Stock at 31.12.2015	38,410	
Debtors and Creditors	41,940	32,216
Cash	2,118	
Bank	317	
Sales		180,400
Purchases	136,680	
Salaries	27,400	
Office expenses	2,130	
Discount allowed	312	
Current account at 31.12.2018		
Wanjiru		7,382
Waithira		7,009
Capital account		

Wanjiru	50,000	
Waithira	20,000	
drawings account		
Wanjiru	17,500	
Waithira	16,000	
	<u>313,407</u>	<u>313,407</u>

Additional information;

- Stock 31st Dec 2018 sh. 42,000
- Office expenses outstanding sh. 740
- Depreciation; motor vehicles 15% and Office equipment 25% on reducing balance
- Charge interest on capital at 10%
- Charge interest on drawings Wanjiru sh. 1000 and Waithira sh. 800

Required:

- Income statement for the year ended 31st Dec 2018 for the partnership. (8 Marks)
- Statement of financial position as at 31st Dec 2018 for the partnership. (8 Marks)
- Explain the meaning of Fixed & Floating Capital. (4 Marks)

QUESTION THREE

- Explain **FIVE** reasons for incomplete records in accounting. (10 Marks)
- State **THREE** ways of preparing accounts from incomplete records (3 Marks)
- From the following information, calculate Capital at the beginning. (3 Marks)

	KES.
Capital at the end of the year	400,000
Drawings made during the year	60,000
Fresh Capital introduced during the year	100,000
Profit of the current year	80,000

- From the following information is given below, calculate the closing capital and the profit or loss for the year 2018 using the statement of affairs report. (4 Marks)

	As at 01 January 2018	As at 01 December 2018
	KES.	KES.
Creditors	5,000	30,000
Bills payable	10,000	—
Loan	—	50,000
Bills receivable	30,000	50,000
Stock	5,000	30,000
Cash	2,000	20,000
Creditors	5,000	30,000

QUESTION FOUR

Hustlers Limited as presented the following trial balance as at 30th June 2017.

	Dr Shs. '000'	Cr. Shs. '000'
Share capital		5,000
Share premium		1,500
Trade and other payables		1,872
Land building – cost	8,500	
Acc. depreciation 01.07.2016		424
Plant and equipment-cost	5,800	
Acc. depreciation 01.07.2016		2,900
Trade and other receivables	4,235	
Prepayments	15	
5% Bank loan repayable		4,000
Cash and cash equivalents	385	
Retained earnings at 01.07.2016		3,875
Interest paid	200	
Sales revenue		25,840
Purchases	12,965	
Distribution costs	5,468	
Administrative Expenses	2,933	
Stock on 01.07.2016	4,285	
Dividends paid	625	

Additional information;

- Stock 30th Jun 2017 Shs. 5,162,000
- Land which is not depreciated is included in the trial balance at Shs. 3,000,000. It is to be revalued to Shs. 3,500,000 and this revaluation included in the financial statements as at 30th June 2017.
- Depreciation: building 2% p.a on straight-line. Plant & equipment 20% p.a on reducing balance.
- Depreciation should be apportioned as follows
 - Cost of sales 40%
 - Distribution costs 40%
 - Administrative expenses 20%
- Trade receivables include a debt of Shs. 10,000 which is to be written off. Irrecoverable debts are classified as administrative expenses.
- Distribution costs of Shs. 18,000 owing as at 30th June 2017 are to be provided for.
- Corporation tax charge for the year has been calculated as Shs. 1,475,000
- All of the operations are continuing

Required

- i. Draft Statement of profit or loss and other comprehensive income for Hustlers Limited for the year ended 30th June 2017. (8 Marks)

- ii. Draft Statement of changes in equity for Hustlers Limited for the year ended 30th June 2017. (6 Marks)
- iii. Draft Statement of financial position for Hustlers Limited as at 30th Jun 2017 (6 Marks)

QUESTION FIVE

- a) Define Not-for-Profit Organizations (NPO's) and state their FOUR common features.(7 Marks)
- b) State **THREE** examples of revenue streams for Not for Profit Organizations (NPO's). (3 Marks)
- c) Distinguish restricted and unrestricted revenue in NPO operations. (6 Marks)
- d) Distinguish designated and undesignated funds in NPO financial statements. (4 Marks)

