

Accounts opening	500	Petty cash withdrawn	20
Weekly banking		Fixtures and fittings	300
Cheques from customers	3,769	Suppliers for goods	3,728
Cash refunded by a supplier	382	Insurance for inventory	40
		Bank charges	110
		Balance carried down	463
	<u>4,661</u>		<u>4,661</u>

Additional Information:

1. Baraka estimates that during the year ended 31 December 2014, he utilized cash collected from sales for the following purposes

Shs '000'

Wages payment	400
Sundry expenses payment	50
Drawings	600

2. Cheques received from credit customers amounting to Shs 30,000 had not been credited by the bank as at 30th December 2014.
3. Insurance paid for inventory during the year include Shs 20,000 relating to premium for the year ending 30 December 2015
4. Petty cash balance as at 30 December 2014 was Shs15,000 which included a post dated cheque of Shs 5,000 drawn by Mr. Baraka's friend in exchange for cash advanced from petty cash.
5. Credit customers owed Shs 172,000 as at 30 December 2014
6. As at 30 December 2014, the following were due on accounts payable

Shs '000'

Suppliers	403
Wages	10
Sundry expenses	6

7. Depreciation is to be provided on cost basis at the following rates:

Business premises	2%
Fixtures and fittings	10%

8. The value of inventory as at 30 December 2014 was Shs 360,000

Required:

- a) Income statement as at 31st December 2014 (10 Marks)
- b) Statement of financial position as at 31st December 2014. (10 Marks)

QUESTION TWO

- a) State FOUR (4) purposes of ratio analysis (4 Marks)
- b) The following information was extracted from the financial statements of Sunrise Ltd and Sunset Ltd. In respect of the year ended 30 September 2014

Income statement extracts for the year ended 30 September 2014

	Sunrise Ltd Shs '000'	Sunset Ltd. Shs '000'
Sales	497,000	371,000
Cost of sales	258,000	153,000
Operating profit	138,000	79,000
Interest expense	19,000	-

Balance sheet extracts as at 30 September 2014:

	Sunrise Ltd Shs '000'	Sunset Ltd. Shs '000'
Nom-current assets	142,000	92,000
Current assets:		
Inventory	100,000	87,000
Debtors	46,000	42,000
Cash at bank	40,000	44,000
Current liabilities	98,000	108,000
Long term loan	33,000	-
Shareholders' funds	197,000	157,000

Required:

For each company, compute the following ratios:

- i) Acid test ratio (2 Marks)
 - ii) Inventory turnover (2 Marks)
 - iii) Average collection period (2 Marks)
 - iv) Return on capital employed (2 Marks)
 - v) Debt equity ratio (2 Marks)
- c)
- i. On the basis of the ratios computed in b) above comment on the overall performance of Sunrise Ltd and Sunset Ltd. And advise which of the two companies would provide better investment (3 Marks)
 - ii. Explain the possible shortcomings of relying on your analysis in b) above. (3 Marks)

QUESTION THREE

- a) The following version of the receipts and payment account has been provided by the treasurer of Maendeleo Social Club for the year ended 31st October 2014:

	Receipts Shs '000'	Payments Shs '000'
Opening balance	500	
Accountancy Fees		200
Bar purchase		24,000
Bar Sales	55,000	

Dances: Expenses		900
Ticket sales	1,600	
Foods: Purchases		4,500
Sales	8,000	
Insurance		500
Electricity		1,500
Members Subscriptions	35,000	
Office expenses		22,000
Purchase of furniture		4,000
Rates		2,000
Salaries and wages: Bar Staff		10,000
Other staff		14,000
Telephone		3,000
Travelling expenses		13,000
Balance C/F		500
	<u>100,100</u>	<u>100,100</u>

Additional Information:

1. Fixed Assets: At November 2013

	Shs '000'	Shs '000'
Club Premises at cost		18,000
Furniture and fittings at Cost	35,000	
Less provision for depreciation	<u>14,000</u>	<u>21,000</u>
		<u>39,000</u>

2. Accruals and Sundry creditors

	At Nov 2013		At 31st Oct 2014	
	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Accountancy fees	200		250	
Bar purchases	1500		2000	
Electricity	400		300	
Members Subscription (Paid in advance)		1000		800
Telephone	600		700	

3. Sundry prepayments and receivables

Insurance	300	200
Members subscription (in Arrears)	6,000	7,000

4. Maendeleo Social Club had a Bank account which had a balance of Shs 2,500,000 on 1 Nov 2002. This Bank account was not used during the year to 31 Oct 2003 and the only entry made in this account was for the interest of Shs 200,000 which was credited by the bank on 31 Oct 2003

5. Depreciation of Furniture and fittings is at the rate of 10% per annum on cost. A full years depreciation is provided for any furniture bought during the year.

6. Bar stock was valued at Shs 7,000 on 1 Nov 2002 and Shs 1,500,000 on 31 Oct 2003.

7. No apportionment of cost is made between bar activities and other club activities.

Required:

- i. Income and Expenditure Account for the year ending 31st Oct 2014
- ii. Statement of financial position as at 31st Oct 2014

QUESTION FOUR

- a) Distinguish between reserves and share capital (5 Marks)
- b) The trial balance of Plastics Ltd as at 31 October 2014 is as follows:

	Shs '000'	Shs '000'
Ordinary shares of Shs 50 each		10,000
10% preference shares of Shs 100 each		9,000
10% debentures		8,000
Land and buildings (net book value)	25,000	
Plant and machinery (net book value)	8,000	
Motor vehicle (net book value)	2,000	
Inventory	6,000	
Accounts receivable and payables	20,000	19,000
Cash at bank	4,100	
Capital redemption reserve		6,000
Share premium		4,000
Retained profits as at (November 2013)		3,000
Debenture interest	400	
Preference dividend	450	
Gross profit		25,000
Other operating income		4,000
Administrative expenses	13,000	
Distribution costs	6,000	
Other operating expenses	1,550	
Interim ordinary dividend paid	2,000	
Corporation tax		500
	88,500	88,500

Additional Information:

1. A building whose net book value is currently Shs 5 Million is to be revalued to Shs 9 Million
2. A final ordinary dividend of Shs 2 million is proposed
3. The trial balance on the corporation tax for the current year is estimated at Shs 3 million.

Required:

- i) Income statement for the year ended 31 October 2014 (8 Marks)
- ii) Statement of financial; position as at 31 October 2014 (7 Marks)