



**The Co-operative University College of Kenya**  
(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

**END OF SEMESTER EXAMINATION APRIL-2015**

**EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT**  
**(DCM JAN 2015)**

**UNIT TITLE: FINANCIAL ACCOUNTING 11 / FUNDAMENTAL OF**  
**ACCOUNTING 11**

**DATE: 27<sup>TH</sup> APRIL, 2015**

**TIME: 9.00 A.M. – 11. 00 A.M.**

**INSTRUCTIONS:**

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

**QUESTION ONE**

- (a) Outline SIX contents of a partnership agreement. (6 marks)
- (b) Differentiate between receipts and payments account and income and expenditure account. (10 marks)
- (c) Ann and Ben enters into a joint venture agreeing to share profits and losses in the ratio of 3:2 respectively. The following transactions took place during the joint venture period

January 2015

1	Ann purchased goods sh.800, 000
5	Ben paid carriage and freight sh.120, 000
8	Ben paid commission on sales sh.150, 000
14	Ben paid commission on sales sh. 150, 000
21	Ann paid storage charges sh.125, 000
25	Ann sold the remaining goods for sh. 1, 600, 000
30	Ann paid commission and carriage of sh. 100, 000

**Required:**

- (a) Show the joint venture accounts as they would appear in the books of Ann and Ben. (10 marks)
- (b) Prepare a memorandum joint venture account. (4 marks)

**QUESTION TWO**

- (a) The following information relates to the Kariuki Juma and Otieno partnership as at 1 Jan 2014

	Capital account	Current account
	Ksh.	Ksh.
Kariuki	32, 000	4, 500
Juma	32, 000	2, 800
Otieno	16, 000	1, 650

The partners share profits and losses in the ratio of their fixed capital account as given above. Otieno is entitled to an annual salary of sh. 14, 500 which is credited to his current account. During the year ended 31<sup>st</sup> December 2014 the net trading profit of the partnership before providing for interest on capital at 5% to which the partners are entitled and partners was

sh.180, 500. Drawings by the partners were; Kariuki Sh.30, 000 Juma sh.32, 240 and James sh.21, 870

**Required:**

- i. Prepare the appropriation account showing the distribution of the firm's profits among the partners. (8 marks)
- ii. Prepare the partners' current accounts. (6 marks)
- iii. Outline any SIX advantages of ratios to an investor. (6 marks)

**QUESTION THREE**

- (a) The capital of a company can be split into various classes state any FOUR of such classes. (4 marks)
- (b) The following information was extracted from the books of Ukweli super stores, a business dealing in general wares that is divided into THREE departments. Nguo Chakula and Chumas as shown below

Item	Department		
	Nguo Ksh.	Chakula Ksh.	Chuma Ksh.
Sales	180, 000	90, 000	270, 000
Purchases	110, 000	30, 000	150, 000
Inventory	Closing	30, 000	25, 000
	Opening	20, 000	15, 000
Wages	28, 000	50, 000	60, 000

The following expenditures cannot be traded to any particular department:

	Shs.
Rent	35, 000
Air conditioning and lighting	20, 000
Administration expenses	48, 000
General expenses	12, 000

It was decided to apportion rent and air conditioning and lighting in accordance to the floor area occupied by each department i.e Nguo 1/5: Chakula 1/2: Chuma 3/10. Administration and general expenses are to be apportioned in the proportions of sales

**Required:**

Prepare the income statement for Ukweli super stores for the year ended 31/12/2014. (16 marks)

**QUESTION FOUR**

The information given below relates to a manufacturing company VHU Ltd which prepares its books of account to 31<sup>st</sup> December each year.

Raw materials	Inventory as 1.1.214	Shs. 39,000
	Purchases	152,000
	Inventory (31.12.2014)	41,000
Finished goods	Inventory as (1.1.214)	51,000
	Purchases	9,000
	Inventory (31.12.2014)	57,000
Work in progress	At 1.1.2014	16,000
	At 31.12.2014	18,200
Sales		400,000
Manufacturing wages		60,000
Manufacturing expenses		25,300

Repair and maintenance of plant & machinery		13,500
Depreciation	Factory	38,000
	General office	5,000
	Sales warehouse	7,000
Carriage outwards		6,600
Power		10,000
Light & heat	Factory	2,400
	General office	800
	Sales warehouse	1,300
Administration expenses		16,200
Selling & distribution expenses		21,600

**Required:**

Prepare a statement clearly showing

- i. Cost of raw materials consumed or used
- ii. Prime cost
- iii. Cost of finished goods produced
- iv. Cost of finished goods sold
- v. Net profit for the year ended 31.12.2014. (20 marks)

**QUESTION FIVE**

Good way ltd, a public company, has an authorized share capital of sh.1, 000,000 consisting of 100, 000 ordinary shares. The following balances remained in the ledgers of the company after the income statement had been prepared for the year ended 31<sup>st</sup> March 2014

	Shs.
Issued and called up capital	800,000
P& L account (cr) on 1.4.2013	48,000
Net profit for the year ended 31.3.2014	407,500
Share premium	50,000
Prepaid rates	800
Goodwill	151,200
Calls in arrears	10,000
General reserve	140,000
Creditors	82,500
Debtors	114,000
Interim dividends	10,000
Rates due	7,500
7% Debentures	200,000
Freehold premises	750,000
Furniture & fittings	52,000
Motor vehicles	106,000
Inventories	420,000
Cash at bank and in hand	121,500

The directors proposed to

- i. Transfer sh.120, 000 to general reserve
- ii. Write off shs.31, 200 from good will
- iii. Pay sufficient final dividend to bring the total dividend for the year to 10% paid up share capital.

**Required: Prepare**

- (a) Appropriation account for the year ended 31.3.2014. (6 marks)
- (b) Statement of financial position as at that date. (14 marks)

