



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

END OF SEMESTER EXAMINATION APRIL, 2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN FINANCE
(YR III SEM I)

UNIT CODE: CMFI 2305

UNIT TITLE: FINANCIAL REPORTING

DATE: 14TH APRIL, 2016

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

Answer Question **ONE** and any other **TWO** questions.

QUESTION ONE

- a) Define partnership (2 marks)
- b) Give SIX points of difference between consignment and sale. (3 marks)
- c) Describe the purpose of branch accounts (5 marks)
- d) Distinguish between sales system and stock system in respect of accounting of hire purchases. (4 marks)
- e) Write short notes on
 - (i) Surrender value (3 marks)
 - (ii) Good will (3 marks)

The following are the particulars relating to AB Bank Ltd for the year ended 31st December 2015.

(i) Bills for collection as on 1 st January 2015,	200,000.00
(ii) Bills collected during the year	1,200,000.00
(iii) Bills dishonoured and returned	20,000.00

Required:

Prepare the relevant ledger accounts. (10 marks)

QUESTION TWO

Locke, Nice and Munster are partnership with an agreement to share profit in the ration 3:2:1. They also agree that

- (a) All three should receive interest at 12% on capital
- (b) Munster should receive a salary of sh. 6,000 per annum.
- (c) Interest will be charged on withdrawals at the rate of 5% (charged on the end of year withdrawals balances.

(d) The interest rate on the loan by lock is 5%. The statement of financial position of the partnership as at 31 December 2005 revealed the following:-

	Sh	Sh
Capital Account		
Locke	20,000	
Niece	8,000	
Munster	6,000	34,000
Current Account		
Locke	3,500	
Niece	(700)	
Munster	1800	4,600
Loan Account (Locke)		6,000
Capital employed to finance net long term		46,000
Assets and working capital		

Withdrawals on account made during the year to 31 December 2006 were as follows:

Locke	6,000
Niece	4,000
Munster	7,000

The net profit for the year 31 December 2006 was 24,530 before deducting loan interest.

Required:

Prepare the appropriation account for the year to 31 December 2006, and the partner's Capital accounts and current accounts. (20 marks)

QUESTION THREE

The following trial balance has been extracted from the books of Arran as at 31 March 2007.

	DR	CR
	000	000
Administration expenses	250	
Distribution costs	295	
Share capital (all ordinary share of 1sh each)		270
Share premium		80
Revaluation reserve		20
Dividend	27	
Cash at bank and in hand	3	
Receivables	233	
Interest paid	25	
Dividends received		15
Interest received		1
Land and building at cost (land 380, building 480)	480	
Land and building: Accumulated depreciation		30
Plant and Machinery at cost	400	
Land and building: accumulated depreciation		170
Retained earnings account (at 1 April 2006)		235
Purchases	1260	
Sales		2,165
Inventory at 1 April 2006	140	
Trade payables		27

Bank loan 100

3,113 3,113

Additional information:

1. Inventory at 31 March 2007 was valued at a cost of sh. 95,000 included in this balance were goods that had cost sh. 15,000. These goods had become damaged during the year and it is considered that following remedial work the goods could be sold for sh. 5,000.
2. Depreciation for the year to 31 March 2007 is to be charged against cost of sales as follows:-
Building 5% on cost (straight line) Plant and machinery 30% on carrying value (Cr) (reducing balance).
3. Income tax of sh. 165,000 is to be provided for the year to 31st March 2007.
4. Land is to be revalued upwards by sh. 100,000.

Required:

Prepare the statement of comprehensive income, statement of financial position for year ended 31 March 2007. (20 marks)

QUESTION FOUR

ABC company operates a branch at Nakuru. The following information relates to Nakuru Branch in the year ending 31st December 1005.

Opening balance (1st January 1995

	Sh
Branch stock (at cost)	55,000
Branch Debtors	40,000

Closing balances (31st December 1995)

Branch stock (at cost)	70,000
------------------------	--------

Transaction for the year

Goods sent by head office to branch (at cost)	600,000
Goods returned by branch to head office (at cost)	15,000
Cash sales	250,000
Credit sales	700,000
Goods stolen at branch	5,000
Cash stolen at branch	3,500
Returns from branch debtors (at selling price)	30,000
Cash received from branch debtors	630,000
Discount allowed to debtors	12,000
Bad Debts written off	7,500

Expenses paid by head office

Salaries	40,000
Rent and rates	25,000
General expenses	13,000

Required:

Prepare branch stock account, goods sent to Branch account and Branch debtors account. (20 marks)