



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FIRST YEAR SPECIAL/ SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 101: FUNDAMENTALS OF ACCOUNTING II

DATE: 25/3/2021

TIME: 2.00-4.00 PM

INSTRUCTIONS:

Answer question one and any other two questions.

Show your working where necessary.

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Describe the specific meaning of the following terms as used when accounting for costs in a manufacturing concern.
- Manufacturing overheads
 - Direct labour
 - Prime cost.
 - finance charges. (8 marks)
- b) Identify the specific difference between the following terms:
- Equity capital and debt capital
 - Issue and allotment of shares
 - Final and interim dividend
 - Retained profits and reserves (8 marks)
- c) Companies prepare accounting ratios to analyze the financial statement elements. As the accountant of Neno Company, state the importance of preparing the following ratios.
- Current ratio
 - Debt equity ratio

iii. Return on capital employed

iv. Earning per share

(8 marks)

d) Limo manufacturing company provided the following information for the year ended 31st December 2018.

	Sh'000
Sales	30 500
Finished goods (1.1. 2018	800
Finished goods (31.12.2018	200
Salaries-managers	300
Distribution expenses	90
Bank charges	40
Salaries-secretaries	150
Production cost	26 000

Prepare income statement for limo manufactures for the year ended 31st December, 2018. (6 marks)

QUESTION TWO (20 MARKS)

X, Y and Z are in a partnership sharing their profits and losses in the ratio of 2:2:1 respectively. The following relates to the partnership during the year ended 31st December 2019.

	Shs'000
Non-current assets	1 200
Net profit	3 500
Capital accounts:	
X	2 000
Y	4 000
Z	2 000
Drawings;	
X	200
Y	380
Z	420

Additional information.

1. X retired on 1st January 2020, all the amounts due to him were transferred to a retirement account; to be paid later.
2. Y and Z will continue with the business and share their profits and losses equally

3. Interest on drawings is charged at 5%
4. Interest on capital is allowed at 10% per year.
5. The non-current assets were revalued at sh.1650 000
6. Goodwill was valued at sh.600 000

Prepare

- a) Profit and loss appropriation account for the year ended 31st December 2019 (5 marks)
- b) Revaluation Account. (5 marks)
- c) Partners capital accounts as at 1st January 2020. (10 marks)

QUESTION THREE (20 MARKS)

The following is a receipts and payments summary belonging to VM club on 31st December 2017.

Cash (1.1.2017)	2 800
Purchased equipment	600
Repairs to equipment	140
Proceeds from refreshments	31 000
Cost of refreshments	20 000
Secretarial expenses paid	160
Paid rent for playing field	2 400
Paid for stationery	100
Cash collected during matches	8 600
Cash (31.12. 2017)	10 880
Wages paid to the grounds man	8 000
Miscellaneous expenses	120

Additional information

1. Rent paid in advance was sh.600
2. Unpaid stationery at the end the year was sh. 40
3. At 1st January 2017 equipment was valued at sh. 3000
4. Depreciate all equipment at 10%

Prepare

- a) Receipts and payments account for the year 2017 (6 marks)

- b) Income and expenditure account for the year 2017 (8 marks)
- c) Statement of financial position as at 31st December 2017 (6 marks)

QUESTION FOUR (20 MARKS)

Rena manufactures provided the following information on 31st December 2019.

	Shs.
Inventory- 1.1.2019	
Raw materials	150 000
Work in process	80 000
Finished goods	120 000

During the year

Raw materials - purchased	260 000
Rent	160 000
Office salaries	80 000
Direct labor	100 000
Sales	1 900 000
Salesmen salaries	65 000
Other direct expenses	15 000
Discount received	41 500
Returns outwards	40 000
Electricity	40 000
Advertising	90 000
Depreciation on factory plant	40 500
Purchased materials –returned to suppliers	50 000
Carriage on raw-materials	45 000
Carriage outwards	35 000

Additional information

1. Unpaid direct labor cost she 8 000
2. unpaid rent sh 10 000 and prepaid electricity sh 5 000
3. Electricity and rent are apportioned to factory and administration in the ratio of 2:3
4. Inventory on 31.12.2019:

Work in process sh. 60 000

Raw materials sh. 50 000

Prepare:

- a) Manufacturer's production cost statement(manufacturing account) for year ended 31.12.2019. (12 marks)
- b) Income statement for the year ended 31.12.2019. (8 marks)

QUESTION FIVE (20 MARKS)

Fena limited issued 20 000 ordinary shares of sh 10 each payable as follows.

- 10. 2. 2017 Application sh.5
- 13. 3.2017 Allotment sh.4 (including premium)
- 9.4.2017 First and final call sh. 2

Applications were received for 22 000 shares. The applications were allotted on pro-rata basis.

All monies were received on due dates.

Required

- a) Journal entries to record the issue (10 marks)
- b) Bank account extract and ordinary share extract. (6 marks)
- c) Balance sheet extract immediately after the issue. (4 marks)