



MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT
SCIENCES

SECOND SEMESTER EXAMINATION FOR DEGREE IN BACHELOR OF
COMMERCE

FINANCIAL ACCOUNTING II

Date: 2/8/2016

Time: 8.30-10.30 AM

INSTRUCTIONS

Answer Question One and any Other Two Questions

1. Explain each of the following term:-
 - i) Royalty
 - ii) Minimum rent
 - iii) Short workings
 - iv) Sub-lease
 - v) Recoupment
 - vi) Consignment (30 marks)
2. Cobi Ltd received the rights to manufacture and make from Amata Ltd by use of the trade mark.

The agreement provided for a royalty of sh 4 to be paid by Cobi Ltd for each unit sold subject to a minimum rent of sh 1,200,000 short falls in any year can be recouped from any excess of royalty over the minimum rent in the following year only.

The sales of the firm were as follows:-

Year	Unit
2008	250,000
2009	290,000
2010	350,000
2011	400,000

The financial year of the firm ends on Dec 31. The amount due to mata Ltd are paid on 1st January of the following year.

For each of the years 2008, 2009, 2010 and 2011

Prepare:

- i) Royalties payable accounts
- ii) Amata Ltd Account
- iii) Short working receivable account (20 marks)

3. Anna, Banna and Canna were partners in a joint venture dealing with leather products. Anna and Banna purchased the products which were sent to Canna to sell in Thika. The profits and losses were to be shared equally among the co-ventures. All records are kept by Canna on double entry system.

The following transactions took place:-

- i) Anna purchased goods worth sh.50,000 while Banna purchased goods worth sh.80,000
- ii) Anna and Banna spent sh.3,000 and sh 4,500 respectively on transport expenses
- iii) Banna paid packaging expenses sh.2,800
- iv) Canna incurred sh.5,200 warehousing expenses and sh 9,300 selling expenses
- v) Canna sold all the goods at sh.250,000
- vi) The account were settled by cheque

Required

- a) Joint venture account
- b) Anna account
- c) Banna account
- d) Canna account (20 marks)

4. The following information relates to the year ended 30 September 2005.

- i) There were 500 cylinders in stock on 1st October 2004
- ii) 1,000 cylinders were with customers at 1st October 2004 and 15,000 cylinders were with customers as at September 30, 2005.

The time limit for the return of the cylinders had not expired.

- iii) 7,000 cylinders were purchased
- iv) 250 cylinders were scrapped, sale proceeds being sh.15,000.
- v) 45,000 cylinders were sent to customers.
- vi) 40,000 cylinders were returned by customers within the time limit

Prepare

- i) Gas cylinders stock account
- ii) Gas cylinders suspense account (20 marks)



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SECOND SEMESTER EXAMINATION FOR DIPLOMA IN ACCOUNTANCY

STATISTICS

Date: 5/8/2016

Time: 8.30-10.30 AM

INSTRUCTIONS

Answer all the questions

1. Explain the meaning of the following terms
 - i) Population
 - ii) Sample
 - iii) Variable
 - iv) Census
 - v) Error

(20 marks)

2. The frequency distribution in the table below represents the three year rate of return of a random sample of 40 small – capitalization growth mutual funds.

Class (3 – year rate of return)	Frequency
0 – 1.99	1
2 – 3.99	3
4 -5.99	5
6-7.99	7
8 -9.99	9
10 -11.99	11
12-13.99	13
14 -15.99	15

Examination Irregularity is punishable by expulsion

Required, calculate:

- a) Mean rate of return
- b) Standard deviation
- 3. a) Explain what is meant by the term pie- chart (5 marks)

- b) The table below represents educational attainment of residents of the United States 25 years of older in 2003.

Construct a pie – chart of the data .

Educational attainment

Less than 9th grade 12,276

9th 12th grade 16,323

High school diploma 59,292

Professional degree 17,169

Bachelors degree 333,213 (15 marks)

- 4. Differentiate between:

- i) Primary data and secondary data
- ii) Qualitative data and quantitative data
- iii) Relative error and absolute error
- iv) Mode and mean
- v) Standard deviation and variance

- 5. a) what is a set?

- b) The main daily newspapers in Nyeka are National, New Era and citizen. The management of one of the dailies is concerned with low sales volume of their paper. In recent survey of 100 families in Nairobi, the numbers that read various newspapers were found as follows.

Newspaper	Numbers
The citizen	28
Citizen and newera	8
New era	30
Citizen and national	10
The national	42
New era and national	5
All the three papers	3

Required

- i) Draw a venn diagram to show the above information

- ii) Determine the number of families who did not read any of the three newspapers
- iii) Mrembo beauty advertising wants to know which newspaper they should advertise to reach the largest audience. Advice the company



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SECOND SEMESTER EXAMINATION FOR DIPLOMA IN ACCOUNTANCY

MONEY AND BANKING

Date: 5/8/2016

Time: 2.00-4.00 PM

INSTRUCTIONS

Answer Question One and any Other Two Questions

1.
 - a) State and explain four functions of money (10 marks)
 - b) Highlight the main characteristics of good money (10 marks)
 - c) Explain giving examples of five forms of commodity money. (10 marks)
2.
 - a) Give examples of commercial banks in Kenya (5 marks)
 - b) The banking Act 1968 gives the functions of commercial banks in Kenya. List and explain five functions of commercial banks. (15 marks)
3. Explain the meaning of the following terms
 - i) Legal tender
 - ii) Fiat money
 - iii) Coins
 - iv) Endorsement
 - v) Negotiable instrument (20 marks)
4.
 - a) State and explain the parties to a cheque. (6 marks)
 - b) What are the advantages of using a bill of exchange as a means of payment? (14 marks)



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SECOND SEMESTER EXAMINATION FOR DIPLOMA IN ACCOUNTANCY

BUSINESS FINANCE

Date: 8/8/2016

Time: 8.30-10.30 AM

INSTRUCTIONS

Answer all questions

- Explain five ways in which debentures can be classified (10 marks)
 - The following are financial statements of KAZI Ltd for the year ended 31st December 2008.

Trading and profit and loss

Account for the year ended Dec 31,2008

	Sh(000)	sh (000)
Sales	14,000	
Less cost of sales		
Opening stock	1,710	
Add purchases	<u>10,980</u>	
	12,690	
Closing stock	<u>1,890</u>	<u>10,800</u>
Gross profit		3,600
Less: General expenses	720	
Telephone & postage	780	
Salaries & wages	<u>660</u>	<u>2,160</u>
Net profit for the year		1,448
Less corporation tax		<u>430</u>
		1008
Retained profit brought Forward		<u>440</u>
		1448
Preference dividends 32		
Ordinary dividends 360		<u>392</u>
Retained profit carried forward		<u>1056</u>

Examination Irregularity is punishable by expulsion

KAZI

Balance sheet

As at Dec 31st 2008

	Sh(000)	shs(000)	sh (000)
Non – current assets			
Plant and machinery			1,400
Furniture			600
Fixtures and fittings			<u>400</u>
			2,400
Current assets			
Stock		1890	
Debtors		2700	
Bank		<u>210</u>	
		4,800	
Less: current liabilities			
Creditors	540		
Corporation tax	304		
Dividends	<u>700</u>	<u>1,544</u>	
			<u>3256</u>
			<u>5656</u>
Ordinary share capital			2,400
8% preference share capital			600
Profit and less			1056
10% debentures			<u>1600</u>
			<u>5656</u>

Additional information

- i) The pas value of ordinary share is sh.10 and market value is sh 12.
- ii) The par value of preference is sh 10 and market value is sh 8
- iii) All purchase and sales were on credit
- iv) Included in the general expenses is sh,40,000 debentures interest.

Calculate:

- i) Gross profit margin
- ii) Stock turnover rate
- iii) Return on capital employed (ROCE)
- iv) Earning yield (EY)

v) Debtors turnover (10 marks)

2. Explain five reasons why a company may use retained earnings as a source of finance

The following information relates to Sati Ltd for the year 31 December 2009

	Kshs
Sales	5,130,000
Purchases	5,800,000
Creditors: 1 January 2009	962,000
31 December 2009	638,000
Debtors 1 January 2009	1,300,000
31 December 2009	2,120,000

Additional information

Included in the purchases are cash purchases amounting to Kshs. 1,800,000

All sales were made on credit basis

Debtor's collection and creditor's payment period for the year ended

31 December 2008 were 2 months and 3 months respectively.

Calculate the:

Debtors collection period

Creditors payment period

Advise the management on the credit control measures that should be taken to improve the current position. (10 marks)

3. a) Differentiate between each of the following sources of finance

- i) Bank credit and trade credit
- ii) Factoring and invoice discounting
- iii) Hire purchase and lease finance
- iv) Promissory notes and bills of exchange

b) Explain six methods that may be used by a central bank to control the amount of money in the economy (12 marks)

4. a) Commercial banks perform certain functions as agents of their customers explain four such functions. (8 marks)

b) Smato Ltd has been in operation for the last four years. The directors are considering raising additional finance as follows:

Issue 400,000 12% preference shares at Kshs.14 each

(Nominal value Kshs.10)

Issue 1,000,000 ordinary shares at Kshs.15 each

(Nominal value of Kshs.10)

Issue 294,000 13% Debenture at Kshs.100 each

Ordinary shareholders are paid a dividend of 8%

Corporation tax rate is 30%

Calculate the:

- i) Additional finance that will be raised
- ii) Marginal cost of finance (12 marks)

- 5. a) Outline FIVE similarities between ordinary shares and preference shares (10 marks)

- b) Explain FIVE reasons why money markets are not fully developed in Kenya. (10 marks)

- 6. a) Explain five advantages of hire purchase as a source of business finance (10 marks)

- b) Thirai Limited had the following capital structures on 31 December 2010

	Kshs
Ordinary share capital	1,980,000
Retained earning	420,000
10% preference share capital	540,000
12% debentures	300,000

The company has been paying an ordinary dividend of 14% per annum and equity is projected to grow at 6% per annum. The corporation tax rate is 30%.

Calculate the company's Weighted average Cost of capital (WACC) (10 marks)