



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2018/2019 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

**SCHOOL OF BUSINESS AND ECONOMICS
DIPLOMA IN BUSINESS MANAGEMENT**

COURSE CODE: DBM 013

COURSE TITLE : FINANCIAL ACCOUNTING II

DATE : 20TH AUGUST 2019

TIME : 1430 - 1630 HRS

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** Questions

This paper consists of 4 printed pages. Please turn over.

QUESTION ONE

The following balances were extracted from the books of Manga ltd as at 31st December 2017.

Particulars	DR	CR
80,000 ordinary shares of 10/= each	-	80,000
8% debentures	-	400,000
12% preference shares of 20/= each	-	600,000
Debtors and creditors	222,000	56,000
Provision of doubtful debts	-	5,000
Sales and purchases	300,000	1,050,000
Returns	50,000	20,000
Salaries	120,000	-
Insurances	40,000	
Building at cost	1,300,000	
Plant and machinery at cost	350,000	
Motor vehicle (cost 250,000)	150,000	
Vehicle expenses	30,000	
Provision for depreciation	-	
Building	-	80,000
Plant and machinery	-	70,000
Bad debts	15,000	
Directors fee	25,000	
Commission	80,000	19,000
Bank	280,000	
Discount	38,000	
Profit and loss account		500,000
Opening sock	50,000	
Goodwill	450,000	0
	3,600,000	3,600,000

Additional information

- i) Closing stock 120,000.
- ii) Prepaid salaries 20,000 and accrued insurance 2,000
- iii) Depreciate all assets at the rate of 20% on straight line basis
- iv) Bad debtors of 2,000 to be written off and provision be adjusted to 21/2% of the remaining debtors
- v) Tax is at the rate of 30%
- vi) The director recommends. To transfer 20,000 to general reserve. To pay preference dividends. To pay ksh 0.20 per ordinary share.

Required:

- I) Trading profit and loss account [12 marks]
- II) Balance sheet as at 31st December 2017. [8 marks]
- b) Explain any five sources of financing a company [5 marks]

QUESTION TWO

A, B and C were in partnership sharing profit and losses in the ratio of 4:3:1 as at 31st December 2017. Their balance sheet on that date was as follows.

assets		Capital and liabilities	
Building	250,000	Capital accounts	
Furniture	90,000	A	100,000
Plan and machinery	80,000	B	80,000
Motor vehicle	180,000	C	70,000
Stock	120,000	Creditors	290,000
Debtors	95,000	Bills payable	170,000
Bank	60,000	Loan from D	85,000
		Reserves	80,000
	875,000		875,000

On 1st January 2018 C retired and D way admitted to the partnership on the following conditions.

i) D to bring in 80,000/= as capital which was to be set off against his loan to the partnership. The balance of the loan to be paid to D.

ii) C capital to be kept in the firm.

iii) Goodwill to be valued at 120,000 then be written off.

iv) Assets and liabilities were to be revalued as follows.

Building 290,000, furniture 100,000, plant 50,000, motor vehicle 165,000, stock 100,000, creditors 300,000, bills payable 160,000.

v) New profit sharing ratios 3:2:1 for A, B and C respectively.

Required

- Revaluation account [4 marks]
- Partnership capital accounts [4 marks]
- Bank and goodwill account [3 marks]
- Balance sheet after the admission of D. [4 marks]

QUESTION THREE

- Discuss any five the limitations of accounting ratios [10 marks]
- Differentiate between dissolution and reconstitution of a partnership. [5 marks]

QUESTION FOUR

- Explain the characteristic of good labour remuneration methods. [5 marks]
- The following information relates to receipts and issues of material A from the store of JIrani traders

January 1st opening stock 30 units @ 40/=

Receipts

- 3rd goods purchased 90 units @60/=
- 10th goods purchased 80 units @50/=
- 20th goods purchased 100 units @40/=
- 30th goods purchased 50 units @30/=

Issues from the store are as follows

January 5th - 80 units; 11th -60 units; 19th -30 units; 26th- 35 units; 31st- 120 units.

Required:

Prepare the stores ledger account using last in first out method. [10 marks]

QUESTION FIVE

The following are incurred in a manufacturing firm for the year ended 30th June 2007.

Rent	80,000
Indirect wages	70,000
Canteen expenses	50,000
Depreciation on plant	40,000
Electricity	30,000
Insurance of factory	60,000

Information about the department of the firm is as follows;-

Details	Departments			
	A	B	C	D
Area in sqm	50	40	30	10
No of employees	15	10	5	10
Value of machines	2.5m	1.5m	-	1m
KWH	20	10	5	5

Required;

A portion the above overhead using the most appropriate criteria; round off to nearest shillings. [15 marks]

QUESTION SIX

a) Distinguish between the following costs as used in cost accounting

- i) Fixed and variable costs (3 marks)
- ii) Incremental and sunk costs (3 marks)
- iii) Avoidable and unavoidable costs (3 marks)

b) Briefly explain four roles of cost accounting in a business (6 marks)

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