



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATION  
2023/2024 ACADEMIC YEAR  
SECOND YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS.  
BACHELORS OF COMMERCE/EDUCATION  
ARTS**

**COURSE CODE: BCM 2104-1  
COURSE TITLE: FINANCIAL ACCOUNTING I**

**DATE :7/12/ 2023**

**TIME: 0830-1030 HRS**

**INSTRUCTIONS TO CANDIDATES**

***Answers question one and any other two.***

### QUESTION ONE

The following is an extract from a farmer from Narok County as at 30<sup>th</sup> June 2023.

	Opening Stocks (Shs)	Closing Stocks (Shs)
Crops	4,000	5,000
Growing crops	3,000	4,500
Seeds	2,000	2,500
Cattle	75,000	105,000
Cattle food	10,000	5,500
Poultry	9,000	13,500
Poultry food	1,000	2,000
Fish	2,000	3,200
Fertilizers	5,000	3,000

Purchases during the year:		Drawings by the owners:		Sales during the year:	
	Shs		Shs		Shs
Poultry	<b>15,000</b>	Butter	<b>400</b>	Butter	<b>1,500</b>
Seeds	1,500	Milk	2,500	Milk	9,000
Cattle	40,000	Eggs	500	Eggs	13,000
Fish	1,000	Vegetables	600	Crops	21,000
Cattle food	14,000	Poultry	200	Flowers	1,500
Fertilizers	3,500	Fish	100	Fruits	4,000
Poultry food	3,000	Fruits	300	Cattle	36,000
				Poultry	14,000
				Fish	6,000
				Vegetables	5,000

#### Required:

- a) Prepare Crop Accounts. **(5 marks)**
- b) Poultry Accounts. **(5 marks)**
- c) Fish Accounts. **(5 marks)**
- d) Livestock Accounts. **(5 marks)**

### QUESTION TWO

The following balances appeared in the books of First Mutual Life Assurance Society Ltd on 31<sup>st</sup> December 2022.

	Shs
Claims paid during the year (Less re-assurance): by death	2,200,000
: by maturity	1,500,000
Annuities	6,000
Furniture and office equipment at cost (including Sh40,000 bought during the year	250,000
Printed Stationery	77,000
Bank Current Account	1,350,000
Cash and stamps in hand	30,000
Surrenders less reassurances	40,000
Commissions	250,000
Expenses of management	3,100,000
Sundry deposits with electricity companies, etc.	1,000
Advance payment of income tax (year-end)	50,000
Sundry debtors	50,000
Agents' balances	100,000
Income tax paid	450,000
Tax on interest, dividends and rents	500,000
Loans on mortgages	150,000
Loans on policies	3,250,000
Investments (including Sh250,000 deposited with CBK)	52,000,000
House property at cost (including Sh85,000 added during the year)	<u>5,400,000</u>
	<u>70,754,000</u>
	Shs

Life Assurance Fund B/F	50,000,000
Premiums less reassurances	15,000,000
Claims less reassurances at beginning of year: Death	900,000
: Maturity	600,000
Credit balances pending adjustment	60,000
Consideration for annuities granted	2,000
Interest dividends and rents	1,800,000
Registration and other fees	2,000
Sundry deposits	100,000
Taxation provision (at beginning of year)	300,000
Premium deposits	1,150,000
Sundry Creditors	350,000
Contingency reserve	150,000
Furniture/Equipment depreciation A/C	40,000
Building depreciation, A/C	300,000
	<u>70,754,000</u>

Additional information:

- a) Claims less reassurances outstanding at year end : By death 600,000  
: By maturity 400,000
- b) Management expenses outstanding – Sh60,000; prepaid – Sh15,000
- c) Provide Sh45,000 for depreciation of buildings, Sh15,000 for depreciation of furniture and equipment, and Sh110,000 for taxation.
- d) Premium outstanding Sh2,028,000; commission thereon Sh65,000.
- e) Interest, dividends and rent accrued and outstanding 380,000.
- f) The society holds sh120,000 government securities (not included in the above balances) deposited by chief agents as security.
- g) Interim bonus paid during the year was Sh.15,000.

**Required:**

Prepare Life Assurance revenue account.

**(15 marks)**

### QUESTION THREE

a) The following are Extracts from Narok Trader's profit and loss account and balance sheet as at 30<sup>th</sup> June 2023

1. Narok Traders Profit and loss account

	<u>Sh</u>	<u>Sh</u>
Sales		850,000
<b>Less: Cost of Sales</b>		
Opening stock	99,500	
Purchases	<u>559,500</u>	
	659,000	
Less: Closing stocks	<u>(149,000)</u>	<u>(510,000)</u>
Gross profit		340,000
<b>Less expenses:</b>		
Selling and distribution	30,000	
Depreciation	10,000	
Administration expenses	<u>(135,000)</u>	<u>(175,000)</u>
Earnings before interest & taxes		165,000
Less Interest		<u>(15,000)</u>
Earnings before tax		150,000
Less Tax @ 50%		<u>(75,000)</u>
		75,000
Less ordinary dividend @ 0.75 per share		<u>(15,000)</u>
Retained profit for the year		<u><b>60,000</b></u>

2. Narok Trader Balance Sheet as at 30<sup>th</sup> June 2023.

Non Current Assets	<u>Shs</u>	<u>Sh.</u>	Issued share capital	<u>Sh.</u>
Land and Buildings		250,000	(20000 share of Sh, 10)	200,000
Plant & Machinery		80,000	Reserve	90,000
		330,000	Retained profit	60,000
Current			Long term	

Assets				100,000
Inventory		149,000	Current liabilities.	130,000
Debtors	75,000			
Less provision	(4,000)	71,000		
Cash		30,000		
		<b>580,000</b>		<b>580,000</b>

**Required:**

- i. Prepare Current Ratio. (2 marks)
- ii. Stock Turnover. (2 marks)
- iii. Net Working Capital Ratio. (2 marks)
- iv. Average collection Period. (2 marks)
- v. Debt Equity Ratio. (2 marks)
- b) Explain five limitations of financial ratios. ( 5 marks)**

**QUESTION FOUR**

- a) Explain the following Concepts:
  - i. Whole life policy. (2 marks)
  - ii. Endowment policy. (2 marks)
- b) Explain five characteristics of farm accounts. (5 marks)**
- c) Explain 3 characteristics of long term contracts in the context of financial accounting ( 6 marks)

/END/