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# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2018/2019 ACADEMIC YEAR  
FIRST YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS  
BACHELOR OF SCIENCE IN COMMERCE**

**COURSE CODE: BCM 2212**

**COURSE TITLE: FINANCIAL ACCOUNTING II**

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**DATE: 26<sup>TH</sup> APRIL 2019**

**TIME: 1430 - 1630 HRS**

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**INSTRUCTIONS TO CANDIDATES**

- Question **ONE** is compulsory
- Answer any other **THREE Questions**

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

### QUESTION ONE

Rapid engineering works sold to Pratap industries a machine of the value kshs. 31360 on hire purchase basis on 1<sup>st</sup> April 1997. A sum of shs.9000 was paid at the time of delivery. The balance was payable on 31<sup>st</sup> march of every year. Interest was charged at 10% per annum. The purchaser charged 10% depreciation per annum on the diminishing balance of the machine. Pratap industries failed to pay the instalment due on 31<sup>st</sup> march 1999. After completing the court process rapid engineering took possession of the machine on 31<sup>st</sup> may 1999.

Required: Prepare the necessary ledger accounts in the books of hire purchaser **(15 marks)**

### QUESTION TWO

A ltd has a retail branch at Kanpur city. Goods are sold to customers at a cost plus 100%. The wholesale price is cost plus 80%. Goods are invoiced to Kanipur at wholesale price. From the following information, find out the profit made at the head office and Kanpur for the year ended march 2001.

|  | Head office | Kanipur |
|--|-------------|---------|
| Stock On 1-4-2000                          | 225000      |         |
| Purchases                                  | 215000      |         |
| Goods sent to branch<br>(at invoice value) | 954000      |         |
| Sales                                      | 2853000     | 950000  |
| Stock on 31-3-2001                         | 260000      | 99000   |

Sales at the head office are made only on wholesale basis at that at the branch to consumers. Stock at the branch is valued at invoice price. **(15 marks)**

### QUESTION THREE

A firm had two departments i.e cloth and ready-made clothes. The clothes were Made by the firm itself out of cloth supplied by the cloth department at its usual selling price. From the following figures prepare departmental trading and profit and loss account for the year ended 31<sup>st</sup> march 2000.

|                                | Cloth   | Ready-made clothes |
|--------------------------------|---------|--------------------|
| Opening stock 1-4-1999         | 300000  | 50000              |
| Purchases                      | 2000000 | 15000              |
| Transfer to ready made Clothes | 300000  |                    |
| Expenses:                      |         |                    |
| i) Manufacturing               |         | 60000              |
| ii) Selling                    | 20000   | 6000               |
| Stock 31-3-2000                | 200000  | 60000              |
| Sales                          | 2200000 | 450000             |

The stock in the readymade clothes department may be considered consisting of 75% cloth and 25% other expenses. The cloth department earned a gross profit of 15% in 1998-1999. General expenses of the business as a whole came to kshs. 110000.

### QUESTION FOUR

- a) A fire occurred on 15<sup>th</sup> September 2000 in the godown of m/s A and B. from the following figures ascertain the claim to be lodged.

|   |        |
|---|--------|
| Stock on 1-4-2000                       | 350000 |
| Manufacturing expenses                  | 260000 |
| Sales from 1-4-2000 to the date of fire | 676000 |
| Goods used by the partners (at cost)    | 10500  |

The rate of gross profit is 30% on cost. The stock salvaged was valued at kshs. 36000.

**(5 marks)**

- b) A,B and C carry on business in partnership sharing profits and losses in the proportions of 1/2 , 3/8 and 1/8 respectively. On 31<sup>st</sup> march 2005 they agreed to sell their business to a limited company. Their position on that date was as follows;

| Liabilities      | Kshs          | Assets            | kshs          |
|------------------|---------------|-------------------|---------------|
| A's capital      | 40000         | Freehold property | 48000         |
| B's Capital      | 30000         | Machinery         | 42000         |
| C's Capital      | 26000         | Stock             | 23000         |
| Loan on Mortgage | 16000         | Book debts        | 15000         |
| Sundry creditors | <u>18000</u>  | Cash              | <u>2000</u>   |
|                  | <u>130000</u> |                   | <u>130000</u> |

The company took the following assets at the following valuation.

|                   |        |
|-------------------|--------|
| Freehold property | 61000  |
| Machinery         | 31800  |
| Stock             | 22 000 |
| Book debts        | 14000  |
| Goodwill          | 10000  |

The company also agreed to pay the creditors at kshs. 17700. The company paid kshs. 67000 in fully paid shares of kshs. 10 each and the balance in cash. The expenses amounted to kshs. 1500. Prepare ledger accounts in the books of the firm. **(10 marks)**

### QUESTION FIVE

A ltd issued 3000 equity shares of kshs. 10 each at a discount of 10%. On these shares payments are to be made as follows; kshs.2 on application, kshs. 3 on allotment and kshs. 5 on first and final call. Mohan who is a holder of 800 shares has not paid the first and final call, hence his shares have been forfeited and have been re-issued at a discount of 5%. Pass the necessary journal entries in the books of A ltd. **(15 marks)**

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