



**MAASAI MARA UNIVERSITY**  
**REGULAR UNIVERSITY EXAMINATIONS**  
**2021/2022 ACADEMIC YEAR**  
**SECOND YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**  
**BACHELOR OF SCIENCE IN HUMAN RESOURCE**  
**MANAGEMENT**

**COURSE CODE: BCM 2104-1**

**COURSE TITLE: FOUNDATIONS OF**  
**ACCOUNTING I**

**DATE: 1<sup>ST</sup> APRIL, 2022**

**TIME: 0830-1030**

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**INSTRUCTIONS TO CANDIDATES**

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

*This paper consists of **two** printed pages. Please turnover.*

## QUESTION ONE

(a) The following trial balance was extracted from the books of Maweo insurance company LTD as at 30 September 2021

	shs"000"	shs "000"
Property, plant and equipment	10,500	
Depreciation of non-current asset	905	
Investment in government bonds hold other semesters.	1400	
Gross premium received from Agent: Marine		3,000
-Fire		2,500
Gross premium received from books-marine		1,500
-Fire		600
Re-insurance Pre. received from direct client-marine	700	
-fire	300	
Sundry receivable	750	
Bank	90	
Defector's fee	495	
Ahdut fee	240	
Unearned premium as at 1 <sup>st</sup> 2020-marine		4,800
-fire		2,500
Claim outset as at 1 <sup>st</sup> Oct. 2020-marine		1,100
-fire		840
Claim paid		
-marine	2,770	
-fire	2,100	
Legal cost on claim-marine	280	
-fire	130	
Survey experience on marine claim	220	
Bad debt		
-marine	370	
-fire	320	
Mgt experience		
-marine	450	
-fire	380	
Trade payables		230
Investment income		280
Ordinary share capital of Sh. 1000 each		4,000
Retained profits (1 October 2020)		450
Premiums outstanding ;(1 Octo. 2020)		
-Marine	800	
Fire	700	
	<u>23,900</u>	<u>23,900</u>

Additional information:

1. Premium outstanding as at 30 September 2021 amounted to Sh. 1,970,000 and Sh. 1,200,000 for Marine and fire insurance respectively.
2. Claims intimated and outstanding as at 30 September 2021 amounted to Sh.750,000 for Marine Insurance and Sh.480,000 for fire Insurance.
3. Unearned premium is maintained at 100% and 50% of the premiums received for marine insurance and fire respectively.
4. The tax rate applicable is 30%

Required:

- a) Revenue account for both marine and fire insurance for the year ended 30 September 2019 **( 7 mark)**

Statement of financial position as at 30 September 2010 **(7 marks)**

(b) Kwale, Ltd is a quarry used for extraction of concrete dust for building houses and construction of roads has entered into lease agreement with Kokoto Ltd to extract concrete at Shs 2.5 per a debe for year starting 1 January 2021. The agreement stipulates minimum payment of Shs40,000 per year. Any short workings is to be recouped within four years.

During the period of five years the following number of debes were extracted:  
Year number of debes

Year	2017	2018	2019	2020	2021
Number of debes	6,000	7,200	8,600	10,000	10,000

Required

Prepare the following ledger accounts in the of books of Mawe Ltd for each of the five years.

- a) Royalty payable **( 2marks)**
- b) Landlord **( 2marks)**
- c) Short workings **(2marks)**

## **QUESTION TWO**

The information was extracted from the books of Family Bank ltd. As at 31 December 2021: **Sh."million"**

Property, plant and equipment	13,500
Intangible assets	12,900
Ordinary share capital (Sh.20 each)	30,510
Share premium	540
Revaluation reserves	2,760
Statutory reserves	11,460
Interest income: Loan advances to customers	30,084
Finance lease	28,080
Deposits with other bankers	6,048
Government bonds	14,460
Interest expenses: On customer deposits	15,000
On deposits with other banks	336
Fees and commissions received	11,184
Forex commission receivable	660
Other operating incomes	9,000
Fees and other expenses	900
Impairment of loans and advance	5,040
Administrative costs	23,160
General operating expenses	18,840
Income tax expenses	12,600
Retained revenue (1 January 2021)	99,840
Deposits with Central bank	76,800
Deposits due from other banks	115,200
Government bonds and other securities	92,230
Loans and advances to customers	793,620
Other assets	4,290
Deferred tax assets	360
Other investments	936
Deferred tax liabilities	8,676
Other liabilities	6,600
Current tax liability	6,870
Deposits from other banks	13,200
Customer deposits	905,970

### **Additional information**

1. Intangible assets were impaired by 20% as at the end of the year
2. Property, plant and equipment is to be revalued to Sh. 25,500 million.

3. An allowance for unserviced loans is to be created at 2% of the outstanding loans and advances to customers.

**Required:**

- i) Comprehensive statement for the year ended 31 December 2021. **( 8marks)**
- ii) Statement of financial position as at December 2021 **( 7marks)**

**QUESTION 3**

The following information was extracted from the financial statements of sunrise Ltd and Sunset Ltd in respect of the year ended 30 September 2020:

**Income statement extracts for the year ended 30 September 2020**

	<b>Sunrise Ltd</b>	<b>sunset Ltd</b>
	<b>Shs "000"</b>	<b>shs"000"</b>
Sales	994,000	742,000
Cost of sales	516,000	306,000
Operation profit	276,000	158,000
Interest expense	38,000	-

**Balance sheet extracts as at 31 September 2020**

	<b>Sunrise Ltd</b>	<b>Sunset Ltd</b>
	<b>Shs "000"</b>	<b>shs"000"</b>
Non-current assets	284,000	184,000
<b>Current assets</b>		
Inventory	200,000	174,000
Debtors	92,000	84,000
Cash at Bank	80,000	88,000
Current liabilities	196,000	216,000
Long-term loan	66,000	-
Shareholder's fund	394,000	314,000

**Required**

- a) Acid test ratio **(3 marks)**
- b) Inventory turnover **(3 marks)**
- c) Average collection period **(2 marks)**
- d) Return on capital employed **(2 marks)**
- e) Debt equity ratio **(2 marks)**

Comment on the overall performance of sunrise and sunset Ltd and advice which one is better for investment. **(3 marks)**

**QUESTION FOUR**

Mijengo Construction Ltd carried out work on four construction contracts during the financial year ended 30 April 2021  
The details of the contracts are set out below:

	A01	B02	C03	D04
	Sh."Million"	Sh."Million"	Sh."Million"	Sh."Million"
Contract price	780	120	1020	948
Cost to date	180	480	964	34
Estimated total cost	720	768	1070	840
Payment on Account	156	780	918	24
Revenue Recognized in previous periods	78	180	504	-
Cost Recognized in previous periods	60	72	480	-
Administrative expense	1.5	15	2.5	-
Date of commencement	1 may 2019	1 Feb 2019	1 march 2019	1 march 2019

Additional information:

1. The company does not recognize profit until the contract is at least 5% complete
2. The Company's policy is to calculate the percentage of completion on cost basis
3. The company prepares separate trading accounts for each contract

Required:

- a) Trading account for each of the contract 30 April 2021 **( 5marks)**
- b) The income statement extract for the year ended 30 April 2021 **( 5marks)**
- c) An extract of the statement of financial position showing the combined totals for all the contract **( 5 marks)**

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