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**UNIVERSITY EXAMINATIONS  
2022/2023 ACADEMIC YEAR**

**MAIN EXAMINATION**

**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DAB 101**

**COURSE TITLE: FINANCIAL ACCOUNTING II**

**DATE: 8.8.2023**

**TIME: 2.00 - 4.00 PM**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B

**TIME: 2 Hours**

**QUESTION ONE**

- a) Explain four characteristics of Income and Expenditure Account 8 marks
- b) Explain four uses of a cash flow statement 4marks
- c) Explain three characteristics of a company 6 marks
- d) A and B own a grocery shop. Their first financial year ended on 31 December 2002.

The following balances were taken from the books on that date:

Capital:	A - sh 60,000;	B - sh 48,000.
Partnership salaries:	A - sh 9,000;	B - sh 6,000.
Drawings:	A - sh 12,000;	B - sh 13,400.

The firm's net profit for the year was £32,840. Interest on capital is to be allowed at 10% per year. Profits and losses are to be shared equally.

**Prepare**

- i. The firm's appropriation account  
 ii. The partners' current accounts.

6 marks  
 6 marks

**QUESTION TWO**

- a) Explain three importance of control accounts (marks)
- b) The following information has been extracted from the books of Mutero Traders Limited for the Month of April 2002

Balances as at 1 April 2015:

Sh.	838,000	Sales ledger- Debit balances
	184,000	- Credit balances
	196,000	Purchases ledger - Debit balances
	598,000	- Credit balances
		<b>Transactions during the month:</b>
	8,784,000	Sales on credit
	7,849,000	Purchases on credit
	248,000	Return inwards
	179,000	Returns outwards
	2,968,000	Cheques received from trade debtors
	4,674,000	Cash paid to trade creditors
	1,393,000	Cheques paid to trade creditors
	139,000	Bad debts written-off
	162,000	Discounts allowed to trade debtors

Discounts received from trade creditors	231,000
Credit sales off-set against credit purchases	356,000
Credit purchase of a motor vehicle posted in the purchases ledger	598,000
Dishonoured cheques from trade debtors	193,000
Cash received to replace dishonoured cheque from trade debtor	106,000
An invoice to trade debtors of sh. 174,000 posted as	147,000

Balances as at 30 April 2015:

i. Sales ledger credit balances	123,000
ii. Purchases ledger debit balances	177,000

Prepare

- |                                    |        |
|------------------------------------|--------|
| a. Sales ledger control account    | 8marks |
| b. Purchase ledger control account | 6marks |

### QUESTION THREE

- a) Explain three Reasons for incomplete records. **6marks**  
 b) Jones gives you the following information as at 30 June 2022

	sh
Stock 1 July 2001	6,000
Purchases	54,000

Jones's mark-up is 50% on cost of goods sold. His average stock during the year was sh12,000.

- i. Calculate the closing stock as at 30 June 2022. **6 marks**  
 ii. State the total amount of profit and loss expenditure Jones must not exceed if he is to maintain a net profit on sales of 10%. **3 marks**  
 iii. Draw up a trading and profit and loss account for the year ended 30 June 2022. **5marks**

### QUESTION FOUR

Mumias Sugar

Trial Balance as on 31 December 2021

	Dr	Cr
Stock of raw materials 1.1.2021	21,000	
Stock of finished goods 1.1.2021	38,900	
Work in progress 1.1.2021	13,500	
Wages(direct sh180,000; factory indirect sh145,000)	325,000	
Royalties	7,000	

Carriage inwards (on raw materials)	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost sh 280,000)	230,000	
Accounting machinery (cost sh 20,000)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administrative salaries	44,000	
Sales representatives' salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage outwards	5,900	
Sales		1000,000
Debtors and creditors	142,300	125,000
Bank	56,800	
Cash	1,500	
Drawings	20,000	
Capital as at 1.1.2021		<u>29,680</u>
	<u>1,421,800</u>	<u>1,421,800</u>

Notes at 31.12.2021

1. Stock of raw materials sh24,000, stock of finished goods Sh 40,000, work in progress sh15,000.
2. Lighting, and rent and insurance are to be apportioned: factory 5/6, administration 1/6.
3. Depreciation on productive and accounting machinery at 10 per cent per annum on cost.

**Required:**

Prepare a manufacturing Account.

8marks

Trading Profit and Loss Account for the year ended 31 December 2021. 6marks

Statement of financial position. 6marks

**QUESTION FIVE**

The following is the trial balance of Transit Ltd at 31 March 2018.

	sh	sh
Issued share capital (ordinary shares of sh1 each)		42,000
Leasehold properties, at cost	75,000	
Motor vans, at cost (used for distribution)	2,500	
Provision for depreciation on motor vans to 31 March 2017		1,000
Administration expenses	7,650	
Distribution expenses	10,000	
Stock, 31 March 2017	12,000	
Purchases	138,750	
Sales		206,500
Directors' remuneration (administrative)	25,000	
Rents receivable		3,600
Investments at cost	6,750	
Investment income		340
7% Debentures		15,000
Debenture interest	1,050	
Bank interest	162	
Bank overdraft		730
Debtors and creditors	31,000	24,100
Interim dividend paid	1,260	
Profit and loss account, 31 March 2017	_____	<u>17,852</u>
	<u>311,122</u>	<u>311,122</u>

### Additional information

- i. All the motor vans were purchased on 1 April 2015. Depreciation has been, and is to be, provided at the rate of 20% per annum on cost from the date of purchase to the date of sale. On 31 March 2018 one van, which had cost Sh 900, was sold for Sh 550, as part settlement of the price of Sh 800 of a new van, but no entries with regard to these transactions were made in the books.
- ii. The estimated corporation tax liability for the year to 31 March 2018 is sh12,700.
- iii. It is proposed to pay a final dividend of 10% for the year to 31 March 2018.
- iv. Stock at the lower of cost or net realizable value on 31 March 2018 is sh16,700.

### prepare

A profit and loss account for the year ended 31 March 2018 10 marks  
 A statement of financial position at that date. 10 marks