



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

JANUARY – APRIL 2014 TRIMESTER

FACULTY OF LAW

REGULAR PROGRAMME

CLS 415: COMMERCIAL ACCOUNTS

Date: APRIL 2014

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

Q1. a) The following information was extracted from the book of Roho Ltd as at 31/12/2013:

	Dr.	Cr.
	Sh. 000	Sh. 000
Purchases	33,640	
Sales		51,200
Carriage inwards	2,080	
Carriage outwards	1,860	
Discounts	560	3,460
Salaries and wages	3,900	
Rent	1,820	
Advertising expenses	840	
Electricity and water	980	
Insurance	400	
Salesmen's commission	1,200	
Fixtures and fittings (at cost)	5,000	
Motor vehicles (at cost)	3,520	
Provision for depreciation on:		
Fixtures and fittings		1,620
Motor vehicles		2,060
Interim dividend paid	500	
Stock 1 January 2013	8,400	

Share capital		6,000
Debtors/creditors	8,200	5,200
Profit and loss account 1/1/2013		2,140
Bad debts	2,100	
Share premium		1,500
Balance at bank		640
Revenue reserves		<u>1,200</u>
	<u>75,020</u>	<u>75,020</u>

Additional information:

- i) Depreciation is to be provided for as follows:
 - Fixture and fittings 10% p.a. using straight line method.
 - Motor vehicles 15% p.a. using the reducing balance method.
- ii) Stock as at 31/12/2013 was valued at Sh. 6,100,000.
- iii) A final dividend of Sh. 0.5 per share is proposed.
- iv) Transfer to revenue reserves Sh. 100,000
- v) Corporation tax to be charged at 30% on reported profit for the year.
- vi) A provision for bad and doubtful debt is to be made at 5% of the debtors balance.
- vii) Prepayments and accruals as at 31/12/2013.

	Prepayments	Accruals
Insurance	Sh. 100,000	
Auditors remuneration		Sh. 250,000
Rent	Sh. 120,000	
Salaries and wages		Sh. 320,000

Required to prepare

- i) Statement of comprehensive income. **(12 marks)**
 - ii) Statement of financial position. **(8 marks)**
- b) Briefly explain five characteristics of good accounting information and five limitations of accounting. **(10 marks)**

Q2. a) On 1 July 2012, Ms Mutahi started a new business with Sh. 1,000,000 cash. During the month she carried out the following transactions:

- 1 July : Bought goods for Sh. 150,000 on cash
- 2 July: Deposited 60,000 in a bank account.
- 5 July: Bought a motor vehicle for Sh. 350,000 cash
- 9 July: Sold goods for Sh. 200,000 on credit to Baraka Ltd
- 10 July: Paid electricity Sh. 20,000 cash.
- 15 July: Withdrew cash Sh. 30,000 for personal use.

Required

Record the above transaction in the relevant ledger accounts and extract a trial balance. **(15 marks)**

b) Distinguish between provision for bad and doubtful debts and bad debts written off. **(5 marks)**

Q3. Benson and Charles are in partnership sharing profits and losses in the ratio 1:2 after crediting themselves with a 6% p.a. interest and a salary of Sh. 25,000 and 20,000 per month respectively. Their trial balance for the year ended 31/12/11 is as follows:

	Dr. Sh. 000	Cr. Sh. 000
Plant and machinery (at cost)	12,000	
Furniture (at cost)	8,000	
Motor vehicles (at cost)	4,000	
Sales		38,000
Purchases	30,000	
Stock 1/1/2011	1,200	
Discounts	800	1,500
Provision for bad debts		1,000
Debtors	3,500	
Creditors		2,000
Cash at bank	1,800	
Rent and rates	700	
Electricity and water	400	
Provision for depreciation on:		

Motor vehicles		1,300
Plant and machinery		3,700
Furniture		3,500
Bad debts	300	
Returns	600	800
Salaries and wages	850	
Drawings: Benson	1,150	
Charles	600	
Insurance	900	
Capital : Benson		8,600
Charles		5,500
Current account: Benson		650
Charles		<u>250</u>
	<u>66,800</u>	<u>66,800</u>

Additional information:

- i) Stock as at 31/12/11 amount to Sh. 1,300,000.
- ii) Salaries and wages in arrears amount to Sh. 160,000 while rent and rate prepaid is Sh. 120,000.
- iii) Depreciation is charged as follows:
 - Plant and machinery 10% p.a. reducing balance method.
 - Motor vehicles 15% p.a. on cost
 - Furniture 20% p.a. on cost.
- iv) Provision for bad and doubtful debts is to be maintained at 7% of the current debtors.

Required:

- a) Partners trading, profit and loss and appropriation account. **(10 marks)**
- b) Partners current accounts. **(4 marks)**
- c) Partners statement of financial position as at 31/12/2011. **(6 marks)**

Q4. The following is a receipts and payments account prepared by the treasurer of Waumini City Club for the year ended 31/12/2012.

Receipts and payments account

	Sh. 000		Sh.000
1 January cash in hand	20,000	Salaries and wages	85,000
Bank	273,000	Purchase of equipment	150,000
Bank interest	3,000	Rent	35,000
Donation and subscription	270,000	Cost of teas	25,000
Receipts from teas	40,000	Travelling expenses	40,000
Sales of machine	8,000	Printing	38,000
Proceed form dinner party	98,000	Repairs	50,000
		Honoraria for 2011	30,000
		Cash in hand (31/12/12)	45,000
		Bank (31/12/12)	<u>214,000</u>
	<u>712,000</u>		<u>712,000</u>

Additional information:

Balances on	1/1/2012 (Sh.)	31/12/12 (Sh.)
Subscription due	15,000,000	10,000,000
Unpaid salaries and wages	12,000,000	8,000,000
Interest not reconciled		4,000,000
Value of machinery and equipment	90,000,000	185,000,000

For the year ended 31/12/2012, the honoraria is to be increased by a total of Sh. 200,000. The machine disposed had a net book value of Sh. 5,000,000.

Required:

- a) Computation showing the balance on the accumulated fund on 1/1/2012. **(3 marks)**
- b) Income and expenditure account. **(10 marks)**
- c) Statement of financial position as at 31/12/2012. **(6 marks)**

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