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MAIN EXAMINATION

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AUGUST - DECEMBER 2016 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CAC 121: INTRODUCTION TO FINANCIAL ACCOUNTING

Date: DECEMBER 2016

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

Q1. The following information relates to the debtors of Addis Mababa business for each of the year shown:

Year	Debtors (After Bad Debts)	Bad Debts written off	Debtors thought Uncollectable
2008	700,000	34,600	43,710
2009	850,000	49,200	79,630
2010	990,000	58,960	62,450

Required

Show how the following accounts would appear for each of the year 2008-2010:-

- i Bad debts accounts
- ii Provision for bad debts account
- iii Profit & Loss account Extracts
- iv Balance sheet extracts

(10 marks)

- b) On 1st April 2007, Kabarage bought three lorries KAA, KBB and KCC at a cost of 2m, and \$m respectively. On 30th 2009, KBB was sold for 2.5m. Kabarage prefers to depreciate three lorries at 10% p.a. Using the reducing balance method.

Required:

Show the following accounts as they would appear for the year 2007-2009:

- i Lorries account
- ii Provision for depreciation on lorries account
- iii Lorries disposal account
- iv Profit & loss account extracts
- v Balance sheet extracts **(10 marks)**

- c) The following balances were extracted from records of Karen Traders:

Opening balances on 1 st Jan 2013: sales ledger DR.	241,800
Purchases ledger DR.	3,650
Sales ledger CR.	9,510
Purchases ledger CR.	355,780
Sales ledger offsets against purchase ledger	9,645
Discounts : Allowed	92,370
Received	43,950
Purchase (including cash purchase of (6,000))	210,800
Cash sales	81,600
Credit sales	602,910
Returns inwards	8,600
Cash purchases	31,700
Payments to creditors: by cash	158,800
By cheque	273,920

Interest charged by creditors	11,930
Receipts from customers – by cheque	326,000
By cash	291,800
Bad debts written of	7,460
Customers dishonored cheques	61,800
Interest charged to customers	17,250
Returns outwards	27,310
Balances on 30 th June 2013: sales ledger CR.	9,460
Purchases ledger DR.	13,278

Required:

- i Sales ledger control account
- ii Purchases ledger control account **(10 marks)**

Q2. The following schedule of balances was extracted from the accounting records of XYZEE Manufacturing Limited, as at 31st August 2005.

	Sh
Stock at 1 st September 2004 :	
Raw Material	135,500
Work in progress	65,000
Finished goods	128,000

Purchased and expenses for year 31st Aug. 2005

	Sh
Raw Materials	2,276,500
Indirect Materials	18,500

Direct Wages	532,300
Factory power	45,500
Factory heating and lighting	19,750
Office heating and lighting	9,300
Printing and stationery	12,640
Postage and telephone	5,200
Factory salaries	115,000
Office salaries	99,000
Factory insurances	12,100
Other insurances	4,500
Depreciation: Factory equipment & machinery	50,000
Office equipment	6,500
Office expenses	16,800
Advertising	8,500
Sales of manufactured produce to 31 st August 2005	3,781,500

The following additional information is relevant to the above accounting period:

- i Finished goods manufactured during the accounting period are transferred from the factory at a manufacturing price of cost of production plus 10 per cent.

- ii Stocks at 31st August 2005

	Shs
Raw Materials	240,000
Work in progress	79,870
Finished goods	180,500

- iii Prepayments at 31st August 2005:

Factory insurances	1,160
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	Others insurances	450
iv	Accruals:	
	Direct wages	13,420
	Factory heating and lighting	1,970
	Office heating and lighting	430
	Factory power	3,500
	Required	
	(a) Manufacturing account	(10 marks)
	(b) Trading account	(5 marks)
	(c) Profit and Loss Account	(5 marks)

Q3. The following trial balance was extracted from the books of Karen county sports club at the close of business on 31st March 2008.

	Dr	Cr
	Shs.	Shs.
Club premises	4,500,000	
Sport equipment	1,700,000	
Bar purchases and sales	3,180,000	5,090,000
Bar stocks 1 April 2007	730,000	
Balance at Bank	930,000	
Subscriptions received		2,880,000
Accumulated Fund 1 April 2007		7,430,000
Salary of secretary	1,200,000	
Wages of staff	1,760,000	
Postages and telephone	290,000	
Office furniture	400,000	

Rates and insurance	410,000	
Cash in hand	20,000	
Sundry expenses	280,000	
	15,400,000	15,400,000

NOTES

- a) All bar purchase and sales were on a cash basis. Bar stocks 31 March 2008 – Shs. 820,000.
- b) No subscriptions have been paid in advance but subscriptions in arrears at 31 March 2008 amounted to Shs. 30,000
- c) Rates pre-paid at 31 March 2008 Shs. 20,000.
- d) Provide for depreciation as follows:
- Sports equipment Shs. 200,000
- Office furniture Shs. 40,000.
- (e) The bar is responsible for 30% of all the club expenses.

Required

- a) Bar Trading Account **(5 marks)**
- b) Income and Expenditure Account **(8 marks)**
- c) Statement of Affairs as at 31 March 2008 **(7 marks)**

ALL WORKINGS MUST BE SHOWN CLEARLY

Q4. The following trial balance was taken from the book of Johny Tony on 30th June 2007.

	Dr.	Cr.
	Shs.	Shs.
Drawings	200,000	
Purchases and sales	7,132,000	9,230,000
Wages and salaries	423,000	

Cash at bank		60,000
Cash at hand	7,000	
Debtors and creditors	700,000	582,000
Capital		2,000,000
Stock 1 st July 2006	533,000	
Electricity and telephone	140,000	
Premises at cost	1,000,000	
Office expense (including stationery)	95,000	
Provision for bad & doubtful debts, 1 st July 2006		10,000
Rates and insurance	124,000	
Bad debts written off the year	29,000	
General expenses	144,000	
Motor vehicles running expenses	384,000	
Motor vehicles at cost	480,000	
Furniture & equipment at cost	450,000	
Provision for depreciation on motor vehicles		39,000
Provision for depreciation on furniture & equipment		50,000
Returns inwards and outwards	<u>230,000</u>	<u>100,000</u>
	12,071,000	12,071,000

Additional information:

- a) Expenses accrued but unpaid on 30th June 2007, salaries shs 36,000 and electricity shs 22,000
- b) Prepaid insurance amounted to Shs. 31,000 and unused stationery to Shs. 16,000 on 30th June 2007

- c) Provision of bad debts should be adjusted to 2 % of debtors
- d) 20% depreciation should be provided on the cost of motor vehicles and 12½% on the book value of furniture and equipment.
- e) The stock on 30th June 2007 had a cost value of Shs. 565,000.

Required:

- a) Trading account **(6 marks)**
- b) Profit and loss account **(8 marks)**
- c) Balance sheet **(6 marks)**

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