



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**AUGUST - DECEMBER 2018 TRIMESTER**

**FACULTY OF COMMERCE**

**MBA EVENING PROGRAMME**

**CAC 510: FINANCIAL ACCOUNTING**

**Date: DECEMBER 2018**

**Duration: 3 Hours**

**INSTRUCTIONS: Answer ALL Questions. ALL RELEVANT Workings MUST be Shown CLEARLY**

- Q1. a) The following information was obtained from the records of Trump Traders for the year 2017 :

Opening stock	2,400,000
Closing stock	3,600,000
Purchases	15,600,000
Sales	36,000,000
Operating expense	7,200,000
Capital	30,000,000
Current assets	6,000,000
Short term liabilities	2,400,000

**Required:**

Use this information to calculate the following accounting ratios :-

- i) Mar-up percentage.
- ii) Net profit ratio.
- iii) Stock turn-over ratio.
- iv) Current ratio
- v) Quick ratio.

**(5 marks)**

- b) Clinton Manufacturers availed to you the following information from their 2017 records :-

Stocks at 1 <sup>st</sup> January 2017 :-	
Raw materials.....	385,600
Work in Progress.....	543,800
Finished Goods.....	875,200
Direct Salaries.....	268,900
Trade Mark Fees.....	137,500
Factory Power and Lighting.....	91,750
Purchases of Raw Materials.....	794,800
Royalties .....	136,750
Depreciation of Factory Equipment.....	86,100
Factory Manager's Salary.....	268,300
General Manager Salary.....	389,400
Factory Security Charges.....	193,460
Indirect Salaries.....	387,265
Sales of Finished Products.....	7,462,970
Manufacturing Co. Accountant's Wages.....	175,000
Depreciation of Office Computers.....	68,950
Stocks at 31 <sup>st</sup> December 2017 :-	
Raw Materials.....	287,500
Work in Progress.....	398,600
Finished Goods.....	998,700

The Policy of the Company is to Add a Manufacturing Margin of 5% to the Manufacturing Cost Before Posting to the Trading A/C.

**REQUIRED:**

Prepare a manufacturing account for the year 2017, clearly showing the Prime cost the Production Cost, and the Amount to be Posted to the Trading Account. **(5 marks)**

- c) Jubilee company Ltd invited applications for the issue of 10,000,000 preference shares of shs 80 each, at a price of Sh 75 per share, payable as follows :
- Shs 40 on Application
  - Shs 20 on Allotment
  - Shs 8 on First Call
  - Shs 7 on Second Call
- Applications were received for 11,000,000 shares, and the directors decided to reject the excess applications and refund their money. All other monies were promptly received when due.

**Required:**

**Show the relevant journal entries necessary to record the above issue of shares. (5 marks)**

- Q2. The following trial balance was taken from the books of Blaze Biz on 30<sup>th</sup> June 2017.

	Dr. Shs.	Cr. 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 <sup>st</sup> July 2016	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 <sup>st</sup> July 2016		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>
	<b>12,071,000</b>	<b>12,071,000</b>

- b) Prepaid insurance amounted to Shs. 31,000 and unused stationery to Shs. 16,000 on 30<sup>th</sup> June 2017
- 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 30<sup>th</sup> June 2017 had a cost value of Shs. 565,000.

**Required:-**

- a) Trading Account **(4 marks)**
- b) Profit and Loss Account **(6 marks)**
- c) Balance Sheet **(5 marks)**

Q3. The following trial balance was extracted from the books of Karen county sports club at the close of business on 31<sup>st</sup> March 2017.

	Dr Shs.	Cr 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 2016	730,000	
Balance at Bank	930,000	
Subscriptions received		2,880,000
Accumulated Fund 1 April 2016		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	
	<b>15,400,000</b>	<b>15,400,000</b>

**ADDITIONAL NOTES :-**

- a) All bar purchase and sales were on a cash basis. Bar stocks 31 March 2017 – Shs. 820,000.
- b) No subscriptions have been paid in advance but subscriptions in arrears at 31 March 2017 amounted to Shs. 30,000
- c) Rates pre-paid at 31 March 2017 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 **(4 marks)**
- b) Income and Expenditure Account **(5 marks)**

c) Statement of Affairs as at 31 March 2017

(6 marks)

Q4. Mr. Queen and Mrs. King are trading in partnership as transporters, wholesalers and distributors. They close their accounts on 30<sup>th</sup> November each year. Their trial balance as at 30<sup>th</sup> November 2017 appeared as follows:-

	DR SHS	CR SHS
Capitals: Queen		250,000
King		150,000
Motor vehicle at cost	2,500,000	
Provision of depreciation		750,000
Provision for bad debts		25,000
Debtors and creditors	850,000	440,000
Salaries and wages	150,000	
Transportation income		1,200,000
Sales and purchases	4,080,000	6,145,000
Returns outwards and inwards	225,000	450,000
Stocks on 1 <sup>st</sup> Dec 2016	1,065,000	
Rents	18,000	
Water and electricity	4,800	
Telephone and postage	10,800	
Printing and stationery	4,500	
Petrol and oil	548,000	
Servicing and spares	202,550	
Legal fees and expenses	15,000	
Insurance premiums	73,000	
Current accounts: Queen		45,000
King	29,000	
Loan and overdraft interest	75,300	
Bank charges	12,150	
Bank overdraft		255,000
Bank loan		154,000
	<u>9,864,000</u>	<u>9,864,000</u>

The following additional information is also provided

- i) Salary at sh 15,000 per month should be credited to the current account of Mrs. King
- ii) Partners are entitled to interest on capital at 12% per annum
- iii) Profits and losses are to be shared equally
- iv) Motor vehicle is to be depreciated at 25% by the straight line method
- v) Provision is to be made for accounting and auditing fees shs 56,000
- vi) Bad debts amounting to shs 44,000 are to be written off
- vii) Provision for bad debts should be increased by shs 60,000

viii) Stocks as at 30<sup>th</sup> November 2017 were valued at sh 1,075,000

**Required :-**

- |   |                  |
|---|------------------|
| a) Trading Account for the year                                   | <b>(3 marks)</b> |
| b) Profit and loss Account  | <b>(3 marks)</b> |
| c) Partnership Appropriation Account                              | <b>(3 marks)</b> |
| d) Partners Current Accounts                                      | <b>(3 marks)</b> |
| e) Partnership Balance Sheet as at 30 <sup>th</sup> November 2017 | <b>(3 marks)</b> |

**\*END\***