



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

MAY – JULY 2019 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

SPECIAL / SUPPLEMENTARY EXAMINATION

CAC 121: INTRODUCTION TO FINANCIAL ACCOUNTING

Date: JULY 2019

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

Q1. The following information relates to the debtors of Trump Business for each of the years shown :

Year	Debtors (After Bad Debts)	Bad Debts written off	Debtors thought Uncollectable
2015	900,000	53,800	67,940
2016	987,000	76,700	93,120
2017	896,500	64,230	71,650

Required:

Show how the following accounts would appear for each of the years 2015-2017:-

- Bad debts accounts
- Provision for bad debts account
- Profit & Loss account Extracts
- Balance sheet extracts

(10 marks)

- b) On 1st April 2015, Hillary bought three Buses KAA, KBB and KCC at a cost of Kshs. 3m, 4m and 5m respectively. On 30th June 2017, KBB was sold for Kshs.2.9m. Hillary prefers to depreciate the three Buses at the rate of 10% p.a. Using the reducing balance method.

Required :-

Show how the following accounts would appear for the years 2015-2017:

- i Buses account
- ii Provision for depreciation on Buses account
- iii Buses 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 2018: 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

Indirect Materials	38,300
Direct Wages	487,600
Factory power	54,800
Factory heating and lighting	21,640
Office heating and lighting	8,900
Printing and stationery	13,720
Postage and telephone	7,150
Factory salaries	203,000
Office salaries	88,000
Factory insurances	13,700
Other insurances	5,600
Depreciation: Factory equipment & machinery	65,000
Office equipment	7,800
Office expenses	34,700
Advertising	9,820
Sales of manufactured produce to 31 st August 2016	4,679,500

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 2016:

	Shs
Raw Materials	350,000
Work in progress	87,960
Finished goods	231,700
- iii Prepayments at 31st August 2016:

	Factory insurances	2,140
	Others insurances	975
iv	Accruals:	
	Direct wages	13,760
	Factory heating and lighting	1,890
	Office heating and lighting	570
	Factory power	4,800

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 2017.

	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 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	
	15,400,000	15,400,000

ADDITIONAL NOTES :-

- All bar purchase and sales were on a cash basis. Bar stocks 31 March 2017 – Shs. 820,000.
- No subscriptions have been paid in advance but subscriptions in arrears at 31 March 2017 amounted to Shs. 30,000
- Rates pre-paid at 31 March 2017 Shs. 20,000.
- Provide for depreciation as follows:
 - Sports equipment Shs. 200,000
 - Office furniture Shs. 40,000.
- The bar is responsible for 30% of all the club expenses.

Required

- Bar Trading Account **(5 marks)**
- Income and Expenditure Account **(8 marks)**
- Statement of Affairs as at 31 March 2017 **(7 marks)**

ALL WORKINGS MUST BE SHOWN CLEARLY

Q4. The following trial balance was taken from the book of Blaze Biz on 30th June 2016.

	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 2015	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 2015		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

b) Prepaid insurance amounted to Shs. 31,000 and unused stationery to Shs. 16,000 on 30th June 2016

- 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 2016 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)

END