



Riara School of Business
Nurturing business innovators

SEPTEMBER- DECEMBER TRIMESTER, 2019

EVENING PROGRAMME

EXAMINATION FOR DEGREE IN BUSINESS ADMINISTRATION MANAGEMENT/

BACHELORS OF BUSINESS INFORMATION TECHNOLOGY

RAC: 102: PRINCIPLES OF FINANCIAL ACCOUNTING 11

DATE: DECEMBER, 2019

TIME: 2 HOURS

INSTRUCTIONS

- i) Answer question one and any other two**
 - ii) Marks allocated to each question are shown at the end of the question**
 - iii) Arrange your work neatly and indicate the questions answered in the Examination booklet**
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QUESTION ONE (COMPULSORY (30 MARKS))

- (a) Outline **five** causes of the differences between cashbook balance and the bank statement balance

(5 Marks)

- (b) Evaluate **five** causes of depreciation

(5 Marks)

- (c) The following information was extracted from the books of XYZ limited as at 30th April 2019:

1. The profit after tax is Kshs.270,000
2. The balance on 1st May 2018 for retained earnings was Kshs. 202,000
3. The company has 600,000, ordinary shares of Kshs.20 each fully paid
4. The company has 100,000, 8% preference shares Kshs.20 each fully paid
5. The company's directors propose that the preference shares dividend be paid and a dividend of 10% on the ordinary shares be paid.

Required:

- (i) An appropriations account for the year ended 30th April 2018 (6 Marks)
- (a) Differentiate between a prepaid expenses and an accrued expense (4 Marks)
- (b) Explain **five** cause of change in a partnership (4 Marks)
- (c) Evaluate **three** advantages of holding the ordinary shares (6 Marks)

QUESTION TWO

- (a) X, Y and Z have been in partnership sharing profits in the ratio 3:2:1. Z retired when their balance sheet was as follows:

X, Y and Z Partnership

Balance sheet as at 31st December 2018

NON-CURRENT ASSETS	Kshs.	Kshs.
Land and building		2,000,000
Plant and machinery		1,500,000
Motor vehicle		1,200,000
CURRENT ASSETS		
Inventory	1,300,000	
Accounts receivables	500,000	
Cash	500,000	2,300,000
TOTAL		7,000,000
CURRENT LIABILITIES		
Accounts payables	500,000	500,000
Financed by		

Capital: X		3,000,000
Capital: Y		2,000,000
Capital: Z		1,000,000
Current: X		200,000
Current: Y		200,000
Current: Z		100,000
TOTAL		7,000,000

Additional Information

1. Revalued assets

Kshs

Land and building	2,500,000
Plant	1,700,000
Motor vehicles	1,400,000
Goodwill	600,000

2. X and Y are to continue in partnership sharing profits/losses at 2:1 respectively
3. Z took a motor vehicle valued at Shs.600, 000. He was paid Shs.400,000 of all that he owed and the balance to remain as a loan at 10% interest
4. Goodwill is written off in the new partnership

Required:

- (i) Revaluation account **(3 Marks).**
- (ii) Capital account **(3 Marks).**
- (iii) Statement of financial position as at 31st December 2018 **(4 Marks).**
- (b) Highlight **five** benefits of a limited company **(5 Marks).**
- (c) List **five** contents of a partnership agreement/ deed **(5 Marks).**

QUESTION THREE

- (a) Outline **six** functions of the Institute of certified public accountants of Kenya **(6 Marks).**
- (b) List **four** elements of financial statements **(4Marks).**

(c) ABC limited account for motor vehicle as at 01/01/2018 stood at Kshs.4,000,000

Additional information

1. Accumulated depreciation as at 01/01/2018 stood at Kshs. 2,300,000
2. On 31/03/2019 a motor vehicle costing Kshs.3,000,000 was purchased
3. On 01/07/2019 a motor vehicle costing Kshs.2,000,000 was purchased
4. On 01/07/2019 a motor vehicle which had been purchased on 01/07/2017 at Kshs.1, 000,000 was disposed at Kshs.500, 000.
5. It is the company policy to charge full depreciation in the year of purchase and charge no depreciation in the year of disposal. The charge for depreciation is 20% per annum at cost.

Required: prepare the following accounts as at 31st December 2019

- | | |
|---------------------------------------|-------------------|
| (i) Motor vehicle account | (4 Marks). |
| (ii) Accumulated depreciation account | (2 Marks). |
| (iii) Depreciation account | (2 Marks). |
| (iv) Disposal account | (2Marks). |

QUESTION FOUR

(a) Define the following terms as used in the financial statements

- | | |
|---|-------------------|
| (i) Going concern | (2 Marks). |
| (ii) Materiality | (2 Marks). |
| (iii) Bad debts written off | (2 Marks). |
| (iv) Provision for bad and doubtful debts | (2 Marks). |

(b) The cash book bank column of Jacob for the month December 2018 is as follows:

Date	Cheque no.	Details	Amount	Date	Cheque no.	Details	Amount
2/12/2018	015	James	12,000	1/12/2018		Balance b/f	10,000
10/12/2018	116	John	14,000	5/12/2018	651	Mary	15,000
18/12/2018	125	Joy	18,000	12/12/2018	652	Michael	16,000
22/12/2018	173	Jane	12,000	20/12/2018	653	Mercy	10,000
31/12/2018		Balance c/f	7,000	20/12/2018	654	Moses	12,000
			63,000				63,000

The bank provided the following bank statement as at 31/12/2018

Date	Cheque no.	Details	Debit	Credit	Balance
1/12/2018		Balance b/d	10,000		(10,000)
2/12/2018	015			12,000	2,000.00
5/12/2018	651		15,000		(13,000.00)
10/12/2018	116			14,000	1,000.00
11/12/2018		Ledger fees	2,000		(1,000.00)
12/12/2018	652		16,000		(17,000.00)
18/12/2018		Interest income		3,000	(14,000.00)
19/12/2018		Commission	1,000		(15,000.00)
22/12/2018		Heritage insurance	3,000		(18,000.00)
31/12/2018		Balance			(18,000.00)

Required:

- (i) An adjusted cash book
- (ii) Bank reconciliation statement as at 31/12/2018

(6 Marks)

(6 Marks)