



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF THE DEGREE
OF BACHELOR OF SCIENCE IN AGRICULTURAL EDUCATION AND
EXTENSION

FIRST SEMESTER 2022/2023
(SEPTEMBER - DECEMBER, 2022)

AGBM 210: FINANCIAL ACCOUNTING

STREAM: Y3 S1

TIME: 2 HOURS

DAY: MONDAY, 9:00 A.M – 11:00 A.M

DATE: 05/12/2022

INSTRUCTIONS:

- 1. Do not write anything on this question paper.***
- 2. Answer Question ONE (Compulsory) and any other TWO Questions.***
- 3. You are allowed to use a calculator***

QUESTION ONE (30 Marks)

Coffee company limited has an authorized share capital of sh.10 million ordinary shares of sh.10 each. The shares were issued at par as follows:

Payable on application sh.1

Payable on allotment sh.3

Payable on 1st call sh.4

Payable on 2nd call sh.2

Applications were received for 1,630,000 shares. It was decided to refund application monies on 130,000 shares and to allot all the shares on the basis of two for every 3 applied for. The excess application monies received from the successful applicants is not to be refunded but is to be applied to reduce the amount payable on allotment. The calls were made and paid in full with the exemption of one member holding 5000 shares who paid neither the first call nor the second call and another member who did not pay the second call on 1000 shares. After requisite action by the directors, the shares were forfeited. They were later reissued at a price of sh.8 per share.

Required

The necessary ledger accounts to record these transactions

QUESTION TWO (20 Marks)

Hassan is a merchant operating in Garissa. His trial balance for the year ended 31/12/04 is;

| | Dr. | Cr. |
|------------------------------------|---------------|---------------|
| | Sh. "000" | Sh. "000" |
| Motors vehicles | 4,000 | |
| Furniture and fittings | 3,000 | |
| Stock (1/1/03) | 2,000 | |
| Sales | | 30,000 |
| Purchases | 20,000 | |
| Returns | 2,000 | 1,000 |
| Discounts | 3,000 | 4,000 |
| debtors | 8,000 | |
| Bad debts | 1,000 | |
| Provision for bad & doubtful debts | | 500 |
| Motor vehicles expenses | 1,000 | |
| Rent | 500 | |
| Salaries & wages | 1,000 | |
| Electricity & water | 1,500 | |
| Telephone | 300 | |
| Carriage inwards | 200 | |
| Carriage outwards | 300 | |
| Drawings | 3,000 | |
| Capital | | 14,300 |
| | <u>50,800</u> | <u>50,800</u> |

Additional information

1. Stock at 31/12/03 amount to Sh. 3,000,000,
2. Provision for bad & doubtful debts is set at 5% of current debtors.
3. Motor vehicle expenses unpaid amount to Sh. 300,000, rent paid in advance amount to Sh. 100,000 while salaries and wages prepaid was Sh. 200,000.
4. A quarter of telephone bills paid relate to the year 2004.
5. Unpaid electricity & water amount to Sh. 100,000.
6. Depreciation is provided on motor vehicles and fixtures at 20% and 10% respectively on cost.

Required:

- i) Hassan trading, profit and loss account for year ended 31/12/ 03 (14 Marks) and,
- ii) Balance sheet as at that date (6 Marks)

QUESTION THREE (20 Marks)

John and Mark are in a partnership sharing profits and losses equally. The following is their trial balance as at 30th June 2006.

| | Dr | Cr |
|--------------------------------|--------|--------|
| | Sh.000 | Sh.000 |
| Building (cost 75000) | 50,000 | |
| Fixtures(11,000) | 11,000 | |
| Provision for Depn on fixtures | | 3300 |
| A/C receivables | 16243 | |
| A/C payables | | 11150 |
| Cash | 677 | |
| Inventory 1/7/2005 | 41979 | |
| Sales | | 123650 |
| Purchases | 85416 | |
| Carriage outwards | 1288 | |
| Discount Allowed | 115 | |
| Sal&wages | 18917 | |
| Loan interest to Godfrey | 4000 | |
| Office expenses | 2416 | |
| Bad debts | 503 | |
| Provision for bad debts | | 400 |
| Capital A/cs | | |
| John | | 35,000 |
| Mark | | 29,500 |
| Current A/cs | | |
| John | | 1306 |
| Mark | | 298 |
| Drawings | | |
| John | 6400 | |
| Mark | 5650 | |
| Loan(Godfrey) | | 40,000 |

Additional Information:

- a) On 30th June 2006 inventory was valued at sh.56,340,000
- b) There were expenses accrued and these included office expense sh.96000,wages sh.200,000
- c) Provision for depn on fixtures was at 10% on reducing balance basis where as that for buildings was sh.1,000,000
- d) Reduced provision for doubtful debts to sh.320,000
- e) The partners salary of sh.800000 to John had not been recorded
- f) Interest on drawings at that date amounted to- John-sh.180,000 and Mark-sh.120,000
- g) Interest on capital A/c balances was 10% p.a

Required:

- a) Trading profit and loss and appropriation A/c (10 Marks)
- b) Current A/c (5Marks)
- c) Financial position (5Marks)

QUESTION FOUR (20Marks)

The following are the transactions of Kimmja started business on 1st January 2004 with sh 650,000.

- Jan 2 Paid cash for stationery Sh 5,000 and postage Sh. 3,250
- Jan 3 Bought furniture for cash Sh. 50,000 and machinery for sh. 80,000
- Jan 4 Purchased goods for cash sh. 140,000
- Jan 5 Sold goods for cash Sh 800,000
- Jan 8 Purchased goods from Muna enterprise Sh. 111,000 on credit
- Jan 10 Paid rent for the year Sh. 340,000
- Jan 10 Bought computer for Sh. 25,000 from comptech Ltd on credit
- Jan 12 Sold goods on credit to Wikali for Sh. 120,000
- Jan 13 Sold goods to Kamau for Sh. 220,000 on credit
- Jan 17 Withdrew cash for personal use Sh. 220,000
- Jan 20 Paid general expenses Sh. 10,000
- Jan 22 Received from Kamau Sh. 51,900
- Jan 23 Cash sales Sh. 15,900
- Jan 23 Cash purchases Sh. 12,000
- Jan 24 Paid Muna Sh. 90,000
- Jan 25 Bought goods worth Sh. 300,000 from Maleck on credit and supplied them to Bibilu for Sh. 340,000 on credit

Required:

Draw the books of account and extract the trial balance as at 31st January 2004. (20 marks)