



ALUPE UNIVERSITY
COLLEGE

...Bastion of Knowledge...

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OFFICE OF THE DEPUTY PRINCIPAL
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UNIVERSITY EXAMINATIONS
2018 /2019 ACADEMIC YEAR
FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

**FOR THE DIPLOMA IN BUSINESS
MANAGEMENT**

COURSE CODE: DBM 08
COURSE TITLE: FINANCIAL ACCOUNTING 1

DATE: 13TH DECEMBER, 2018

TIME: 9.00 AM – 12.00 PM

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 5 PRINTED PAGES

PLEASE TURN OVER

DBM 08: FINANCIAL ACCOUNTING 1**DURATION: 3 HOURS****INSTRUCTIONS TO CANDIDATES**

- Answer Question **ONE** and any other **TWO** questions
- Question **ONE** carries 30 marks
- Do not write on the question paper/

QUESTION ONE (30 MARKS)

- a) Kanga Ltd has three production departments and two service departments. The following is their budgeted factory overheads for the year ended 30 September 2000:

	Shs.	Shs.
Production departments		
A	240,000	
B	180,000	
C	<u>220,000</u>	640,000
Service departments X	86,000	
Y	<u>44,000</u>	<u>130,000</u>
		770,000

The service department costs are to be re-apportioned as per the following percentages:

	A	B	C	X	Y
X	20	30	35	-	15
Y	30	30	30	10	-

Required:

Re-apportion the service department costs to the production departments using the simultaneous equation method. (10 marks)

- b) You are informed that the overheads are absorbed on the basis of the direct labour hours and the budgeted direct labour hours for the departments as given below:

Department	A	1000 hours
	B	2500 hours
	C	4000 hours

Required:

Determine the overhead absorption rates per hour for the three production departments. (10 marks)

(Total: 20 marks)

QUESTION TWO

The following list of balances as at 30 September 2009 has been extracted from the books of Brick and Stone, trading partnership, sharing the balance of profits and losses in the proportions 3:2 respectively.

	£	
Printing, stationery and postage	3,500	
Sales	322,100	
Stock in hand at 1 October 2008	23,000	
Purchases	208,200	
Rent and rates	10,300	
Staff salaries	36,100	
Telephone charges	2,900	
Motor vehicle running costs	5,620	
Discounts allowable	950	
Discount receivable	370	
Sales returns	2,100	
Purchases returns	6,100	
Carriage inwards	1,700	
Carriage outwards	2,400	
Fixtures and fittings: at cost	26,000	
Provision for depreciation	11,200	
Motor vehicles: at cost	46,000	
Provision for depreciation	25,000	
Provision for doubtful debts	300	
Drawings: Brick	24,000	
Stone	11,000	
Current account balances		
At 1 October 2008:		
Brick	3,600	credit
Stone	2,400	credit
Capital account balances		
At 1 October 2008:		
Brick		33,000
Stone		17,000
Debtors		9,300
Creditors		8,400
Balance at bank		7,700

**Additional information**

- £10,000 is to be transferred from Brick's capital account to a newly opened Brick Loan Account on 1 July 2008.
- Interest at 10 per cent per annum on the loan is to be credited to Brick.
- Stone is to be credited with a salary at the rate of £12,000 per annum from 1 April 2009.

4. Stock in hand at 30 September 2009 has been valued at cost at £32,000.
5. Telephone charges accrued due at 30 September 2009 amounted to £400 and rent of £600 prepaid at that date.
6. During the year ended 30 September 2009 Stone has taken goods costing £1,000 for his own use.
7. Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%

Required:

- (a) Prepare a trading and profit loss account for the year ended 30 September 2009.
- (b) Prepare a balance sheet as at 30 September 2009 which should include summaries of the partners' capital and current accounts for the year ended on that date.

QUESTION THREE

A limited has an authorized share capital of 200,000 shares of £1 each out of which only 150,000 share have been issued, Although the firm requested the shareholders to pay 80p per share, the shareholders were able to pay 50p per share.

Required:

Determine the:

- Authorized share capital
- Issued share capital
- Called up share capital
- Uncalled up share capital
- Paid up share capital

QUESTION FOUR

The following is the trial balance of Transit Ltd at 31 March 2008.

	£	£
Issued share capital (ordinary shares of £1 each)		42,000
Leasehold properties, at cost	75,000	
Motor vans, at cost (used for distribution)	2,500	
Provision for depreciation on motor vans to 31 March 2007	7,650	1,000
Administration expenses	10,000	
Distribution expenses	12,000	
Stock, 31 March 2007	138,750	
Purchases		206,500
Sales	25,000	
Directors' remuneration (administrative)		3,600
Rents receivable	6,750	
Investments at cost		340
Investment income		15,000
7% Debentures	1,050	
Debenture interest	162	
Bank interest		730
Bank overdraft	31,000	24,100
Debtors and creditors	1,260	
Interim dividend paid		<u>17,852</u>
Profit and loss account, 31 March 2007	<u>311,122</u>	<u>311,122</u>

You ascertain the following:

- i. The estimated corporation tax liability for the year to 31 March 2008 is £12,700.
- ii. It is proposed to pay a final dividend of 10% for the year to 31 March 2008.
- iii. Stock at the lower of cost or net realizable value on 31 March 2008 is £16,700.

Required:

Prepare, without taking into account the relevant statutory provisions:

- A profit and loss account for the year ended 31 March 2008 (10 marks)
- A balance sheet at that date. (10 marks)

QUESTION FIVE

Giving examples explain five types of errors that do not affect the trial balance (20 marks)

