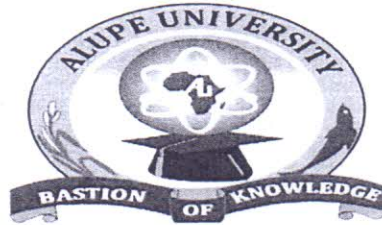


BBM 122//BUS 121



OFFICE OF THE DEPUTY VICE CHANCELLOR
ACADEMICS, RESEARCH AND STUDENT AFFAIRS

UNIVERSITY EXAMINATIONS

2024 /2025 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER MAIN
EXAMINATION

**FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT**

**FOR THE DEGREE OF BACHELOR OF
EDUCATION ARTS**

COURSE CODE: BBM 122

COURSE TITLE: PRINCIPLES OF ACCOUNTING II

DATE: 10TH APRIL 2025

TIME: 11 TO 2 P.M

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 6 PRINTED PAGES PLEASE TURN OVER

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MAIN EXAM

BBM 122/BUS 121: PRINCIPLES OF ACCOUNTING II

STREAM: BBM/BED

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

QUESTION ONE (30 MARKS)

- a). State and explain three types of share capital available in an organizational capital structure of your choice (3 marks)
- b). Wesonga and Ochieng operate a partnership business: The partnership agreement provides for:
- i. Profits and losses to be shared between wesonga and Ochieng in the ratio 5:3 respectively
 - ii. Ochieng to receive a salary of shs 73,000 per annum for managing the business
 - iii. Drawings to charge an interest of 12% per annum on the balances at the end of the year

The following balances relate to the firm as at 30th April 2015

| | | Shs |
|-------------------|---------|-------------|
| Capital: | Wesonga | 800,000 |
| | Ochieng | 600,000 |
| Drawings | Wesonga | 45,000 |
| | Ochieng | 25,000 |
| Creditors | | 508,000 |
| Net profit | | 193,000 |
| 5year loan | | 500,000 |
| Current assets | | 830,000 |
| Bank overdraft | | 336,000 |
| Current accounts: | Wesonga | 100,000(Cr) |
| | Ochieng | 70,000 (Cr) |
| Fixed assets | | 2,207,000 |

Required

- a) Profit and loss appropriation account for the year ended 30 April 2015 (9 marks)
- b) Balance sheet as at 30 April 2015 (8 marks)
- c) List any five types of funds under nonprofit making organizations and briefly explain their accounting treatment (5 marks)
- d) Explain the treatment of goodwill in case of change in partnership (5 marks)

QUESTION TWO (20 MARKS)

The following is the receipts and payments account of the Friendship Club for the year ended 31 December 2024:

| | Kshs | | Kshs |
|---------------------|--------------|--------------------------------------|--------------|
| Balance at bank | | | |
| 31 December 2023 | 102 | Bar purchases | 4,434 |
| Entrance fees | 42 | Wages | 416 |
| Subscriptions: 2023 | 25 | Rent | 186 |
| 2024 | 305 | Heating and lighting | 128 |
| 2025 | 35 | Postage and stationery | 33 |
| Bar Sales | 5,227 | Insurance | 18 |
| Sale of investments | 750 | General expenses | 46 |
| | | Payments on account of new furniture | 450 |
| | | Balance at bank, 31 December 2024 | <u>775</u> |
| | <u>6,486</u> | | <u>6,486</u> |

The following information is also supplied:

- | (1) | 31 December 2023 | 31 December 2024 |
|-----------------------------------|------------------|------------------|
| Bar stock, at cost | 272 | 315 |
| Creditors for bar purchases | 306 | 358 |
| Rent due | 18 | 36 |
| Heating and lighting expenses due | 16 | 19 |
| Subscriptions due | 25 | 40 |
| Insurance paid in advance | 5 | 7 |
- 2) On 31 December 2023, the club held investments which cost Kshs 500. During the year ended 31 December 2024, these were sold for kshs 750.
 - 3) Furniture was valued at kshs 300 on 31 December 2023. On June 2024, the club purchased additional furniture at a cost of Kshs 520. Depreciation of all furniture is to be provided for at the rate of 10% per annum.

Required:

- (a) Prepare an income and expenditure account for the year ended 31 December 2024 (10 marks)
- (b) Prepare a balance sheet at that date (10 marks)

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QUESTION THREE (20 MARKS)

The balance sheet of ABC who are equal partners stood as follows on march 2010.

Balance sheet

| | | | |
|------------------|---------|------------|----------------|
| Kshs | | Kshs | |
| Capital a/c | | Assets | |
| A 82,000 | | Furniture | 1,250 |
| B 55,000 | | Investment | 25,000 |
| C (10,000) | 127,500 | Stock | |
| | | 87,500 | |
| Sundry creditors | 55,000 | Debtors | |
| | | 62,500 | |
| 182,500 | | | 182,500 |

The firm was dissolved as on that date for the purpose of dissolution the investments were valued at shs 40,000 and stock at shs 70,000. B agreed to take over the investments and A to take over the stock. A also took over the furniture at book value. The debtors' realized shs 59,000 and the creditors were paid off shs 53,500 in full satisfaction of their claims. Assuming that C is insolvent and is unable to bring anything in respect of his debt to the firm.

Required;

- Realization (8 marks)
- Capital account of all partners, (5 marks)
- Bank for the finance adjustments being made in accordance with decision in Garner Vs Murray. (7 marks)

QUESTION FOUR (20MKS)

The following balances were extracted from the books of Chesukut Ltd as at 30/9/23.

| | |
|--|-----------|
| | Shs '000' |
| Land and Buildings (NBV) | 25,000 |
| Plant and Machinery (NBV) | 8,600 |
| Motor Vehicle (NBV) | 2,000 |
| Inventory | 6,000 |
| Ordinary Share Capital (shs 50 per value) | 10,000 |
| 10% preference share capital (shs 100 par value) | 9,000 |
| 10% debentures | 8,000 |

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| | |
|--|--------|
| Corporation tax | 500 |
| Interim ordinary dividend paid | 2,000 |
| Other operating activities | 1,550 |
| Distribution costs | 6,000 |
| Administrative costs | 13,000 |
| Accounts payable | 19,000 |
| Other Operating income | 4,000 |
| Gross profit | 25,000 |
| Debenture Interest paid | 400 |
| Preference dividend paid | 450 |
| Accounts receivable | 20,000 |
| Cash at bank | 4,100 |
| Capital Redemption reserve | 6,000 |
| Share premium | 4,000 |
| Revenue reserves (1 st Oct, 2022) | 3,000 |

Additional Information

- i. The balances on the corporation tax account represents an over provision of tax for the previous year. Tax expense for the current year is estimated at shs 3million.
- ii. On 15/9/23 the directors of the company proposed to pay the dividend due to the preference shareholders and to pay a final dividend of shs 2Million to the ordinary shareholders.
- iii. A building whose net book value is shs 5Million is to be revalued to shs 9Million.

Required

- a. Income statement for the year ended 30th September, 2023 (10 marks)
- b. Income statement as at 30th September, 2023 (10 marks)

QUESTION FIVE (20 MARKS)

John and Omondi are in partnership and share profits and losses in ratio 2:1. On 31st September 2018 balance of John and Omondi was as follows:-

| Balance sheet | | | |
|-------------------------|---------|-----------------------|---------|
| Capital account | | Asset | |
| John | 150,000 | Freehold property | 120,000 |
| Omondi | 100,000 | Motor Vehicle | 80,000 |
| | 250,000 | | |
| Current Accounts | | Current Assets | |
| John | 6,500 | Stock | 30,000 |

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| | | | | | |
|-----------|-------|-----------------------|--------------|--------|-----------------------|
| Omondi | 8,000 | 14,500 | Debtors | 40,000 | |
| | | | Cash at bank | 17,000 | 87,000 |
| Creditors | | <u>22,500</u> | | | |
| | | <u>287,000</u> | | | <u>287,000</u> |

On January 1, 2018 they admit peter as their partner on the following conditions.

1. Peter was to bring Kshs 80,000 as capital
2. Profit share ratio will be 3:2:1
3. The goodwill was valued at Kshs 30,000 and was agreed to write off this goodwill after admission of a new partner.
4. It was agreed to revalue certain assets before admitting per as under

| | |
|--------------------|---------|
| Land and Machinery | 140,000 |
| Motor Vehicle | 105,000 |
| Stock | 25,000 |
| Debtors | 30,000 |

Required

- a. Prepare the revaluation account and show entries in partnership books (15 marks)
- b. Prepare balance sheet after the transactions (5 marks)
