



**ALUPE UNIVERSITY**  
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*Bastion of Knowledge...*

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**OFFICE OF THE DEPUTY PRINCIPAL**

**ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS**

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# **UNIVERSITY EXAMINATIONS**

## **2018 /2019 ACADEMIC YEAR**

**FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION**

**FOR THE DEGREE OF BACHELOR O BUSINESS**

**MANAGEMENT/BA.ECONOMICS/EDUCATION**

**BUSINESS**

**COURSE CODE: BBM 122/ECO 124/EDB 11**

**COURSE TITLE: PRINCIPLES OF ACCOUNTING II**

**DATE: 24/04/2019**

**TIME: 2.00-5.00pm**

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### **INSTRUCTION TO CANDIDATES**

- **SEE INSIDE**



**THIS PAPER CONSISTS OF 5 PRINTED PAGES**

**PLEASE TURN OVER**

### 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

- (a) State and briefly explain any three distinguishing features between (i) a receipts and payments account and (ii) an income and expenditure account. (8 marks)
- (b). The following trial balance was extracted from the books of Literary and Philosophical Society as at 30 September 2017:

	Sh	Sh
Balance at bank: current account	724,800	
Accumulated fund 1 October 2016		5,771,200
Land and buildings, at cost	3,700,000	
Debtors for subscription	62,000	
Furniture and fittings	1,874,000	
Provision for depreciation of furniture & fittings		284,000
Subscriptions		1,450,800
Lecturer's fees	920,000	
Lecturer's travel and accommodation expenses	358,000	
Donations		108,000
Camera and projector repairs	17,000	
Projectors, cameras and audio equipment	190,400	
Depreciation of equipment		54,400
Rates and water	277,000	
Lighting and heating	367,200	
Rental of rooms		495,000
Wages – Caretaker	880,000	
• - Restaurant	1,600,000	
- Bar staff	800,000	
Purchase of food	1,565,800	
Stock – bar 1 October 2016	473,600	
Bar receipts		4,032,000
Bar purchases	2,842,000	
Restaurant receipts		3,642,000
Loan		1,600,000
Deposit account – bank	1,000,000	
Interest payable and receivable		36,000

Creditors for bar and food

17,651,800

178,400  
17,651,800

**Additional information:**

1. The bar stock was valued at Sh. 642,800 as at 30 September 2017.
2. It is expected that, of the debtors for subscriptions, Sh. 43,600 will not be collectable.
3. The interest account is net. The loan is at a concessional rate of 4% while 10% has been earned on the deposit account. No changes have taken place all year in the principal sums involved.
4. An invoice for Sh. 43,000 of wine had been omitted from the records at the close of the year although the wine had been included in the bar stock valuation.
5. Depreciation for the year is to be provided as follows:  
Furniture and fittings Sh. 194,000  
Projectors, cameras, etc. Sh. 19,000.

**Required:**

- (a) Bar and restaurant trading account for the year ended 30 September 2017 (7marks)
- (b) An income and expenditure account for the year ended 30 September 2017 (9 marks)
- (c) A balance sheet as at 30 September 2017 (6 marks)

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**QUESTION TWO**

- a). XYZ ltd offered 100,000 shares of Kshs 10 each at par payable as under:
- Kshs 3 on application
  - Kshs 4:00 on allotment
  - Kshs 3:00 first call and final call

Applications were received for 140,000 shares on 1<sup>st</sup> Jan 2017. Application for 20,000 shares was rejected and application money was refunded on 10<sup>th</sup> Jan 2017 to unsuccessful applicants. Shares were allotted to the remaining applicants proportionately and excess money received from those applicants was retained against the allotment money due. The allotment was made on 20<sup>th</sup> January 2017. The first call and final call was made on 20<sup>th</sup> 2017. The call money was received on 1<sup>st</sup> March 2017.

**Required**

Show the entries necessary to record the above matters in the respective ledger accounts (10 marks).

- b). 400 ordinary shares of shs 2 each are to be issued at par payable 40% on application, 30% on allotment 30% a first call. All money for all instatement is received except money for first call for 50 shares which were forfeited. The forfeited shares were issued to a Lucer for shs 40.

**Required**Show subsequent double **entries**

(10 marks)

**QUESTION THREE**

Goodwill can be treated in two ways. Discuss these methods using an example of your choice (20 marks)

**QUESTION FOUR**

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	
<b>182,500</b>			<b>182,500</b>

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**

Show the realization and capital account of all partners, the finance adjustments being made in accordance with decision in Garner Vs Murray.

**QUESTION FIVE**

The balance sheet of Ideal Ltd as at 31<sup>st</sup> Dec 2016 is as follows:

Shs'000'		Shs'000'	
Fixed Assets (net)	1,750	Issued Share Capital:	
Investments	250	150,000 ordinary shares of shs 10 each	1,500
<b>Current Assets</b>		30,000 redeemable 10% preference shares of shs 10 each	300
Stock	90	Profit and loss account	250
Debtors	40	<b>Current liabilities</b>	
Cash at bank	70	Creditors	150
	<b>2,200</b>		<b>2,200</b>

Authorized share capital of Ideal Ltd is as under:

200,000 shares of shs 10 each

30,000 redeemable 10% preference shares of shs 10 each

The preference shares were redeemed at 10% premium January, 10, 2017. The redemption plan was agreed as under:

- a. Investments were sold at shs 230,000 to finance the redemption
- b. 30,000 ordinary shares were issued at par on January, 1, 2017 for cash

**Required**

- i. Entries in the respective ledger accounts
- ii. Prepare the balance sheet of Ideal ltd after the redemption

