

BPM 2206: FINANCIAL ACCOUNTING II

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PURPOSE

The purpose of the course is to prepare the students to play a role in accounting for specific projects by being creative and innovative in book keeping.

The student will be sensitized to think of new ways applying and solving accounting problems on specific problems

Expected Learning Outcome

- To prepare branch accounts
- To enable the student hire purchase accounts
- To enable the students to describe and prepare accounts for insurance claims
- Prepare partnership and company final accounts
- Describe the process of amalgamation and dissolution of a partnership business
- Account for company redemption of shares and debentures

Mode of Delivery

- Combination of lectures and participation in discussions and the instruction materials used will be text books handouts.

Course Assessments

- Course work/CATS 30%
- Final exam 70%

COURSE OUTLINE

- Branch accounts
 - ✓ *Where accounts are prepared by the head office at selling price and cost plus*
 - ✓ *Where accounts are prepared by the branch at selling price and cost plus*
- Hire purchase accounts
 - ✓ *The books buyer*
 - ✓ *The books of the seller*
- Accounts for limited companies
 - ✓ *General background of companies accounts*
 - ✓ *Issue of shares and debentures*
 - ✓ *Purchase and redemption of share capital*
 - ✓ *Company final accounts*
 - ✓ *Interpretation of companies final accounts*

- ✓ *Cash flow statement*
- ✓ *Contract accounts*
- Financial analysis
 - ✓ *Accounting ratios*
 - ✓ *Application of accounting concepts*

Core Reading Materials

1. Weil, R, Schipper K(2012) financial accounting: An introduction to concepts methods and uses (14th edition) Mason,OH:South -western

Reference material

1. Edmonds T P McNair F.M Milan E.E & Olds P.R (2010).Fundamental of financial accounting concepts(6th edition)
2. Mclaney,E and Atrill P (2002) accounting An introduction (2nd edition)Harlow financial times prentice Hall
3. Weil, R, Schipper K(2008) financial accounting (4th edition)
4. Wood .F.& Sangster .A.Business accounting (12th edition).New York pearson education limited
5. Zimmerman .J.(2010) Accounting for decision making (7TH edition).New York McGraw .Hill



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATION

2018/2019 ACADEMIC YEAR

SECOND YEAR SEMISTER TWO

SCHOOL OF BUSINESS AND ECONOMICS

DEGREE IN BUSINESS MANAGEMENT

COURSE CODE: BPM 2206

COURSE TITLE: FINANCIAL ACCOUNTING II

DATE 26TH APRIL 2019

TIME 2:30PM-5:30PM

INSTRUCTIONS TO CANDIDATES

1. Answer question **ONE** and any other **THREE** questions
2. Do not forget to write your registration number

This paper consists of 5 printed pages. Please turn over

QUESTION ONE

- a) Name and explain the purposes of Branch accounting (5marks)
- b) Distinguishing features between ordinary shares and preference shares (4marks)
- c) Discuss the distinguishing features between a Branch and Department (4marks)
- d) The following information relates to a Branch operated by Mutai at Kericho town for the year ending 31st December 2018

Balance b/f as at January 2018

Branch stock	800,000
Branch debtors	650,000

Closing balance as at December 2018

Branch stock	1200,000
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Transaction for the year

Good sent by head office	4,300,000
Good returned by branch	150,000
Cash sales	1,500,000
Credit sales	4,600,000
Cash stolen at branch	60,000
Good stolen at branch	50,000
Return from branch debtors (selling price)	350,000
Cash received from debtors	430,000
Discount allowed	40,000
Bad debts written off	60,000

Expenses of branch paid by the head office

Salaries	300,000
Rent	200,000
General expenses	8,000

Required: Assuming goods are sent by head office at cost prepare the necessary accounts in the head office books relating to Kericho branch **(12marks)**

QUESTION TWO

- a) At the end of each year all limited companies are required by law to publish their accounts and other reports. Name such accounts and reports **(5marks)**
- b) Beta ltd has an authorized share capital of sh50,000 of ordinary shares of sh10 each.

The companies trial balance as at October 2017 was as follows:

Item	Debit sh(000)	Credit sh(000)
Ordinary shares		300,000
Share premium account		80,000
Free hold premises	350,000	
Plant and machineries	230,000	
Lorry	150,000	
Debtor/creditors	85,000	67,000
10% debetures		100,000
Purchases/Sales	285,000	428,000
General expenses	15,500	
Bad debts	4,300	
Stock (1 st Nov 2016)	32,600	
Debenture interest(half year)	5,000	
Discount received		4,200
Bank	47,800	
Salaries	45,000	

Directors allowances	20,000	
Insurance	4,000	
Profit and loss account 1st Nov 2016		40,000
Provision for depreciation (lorry)		80,000
Provision for depreciation (plant and machinery)		175,000
	1,274,200	1,274,200

Additional information

- i. At 31st oct 2017
 - a) Insurance of sh 600,000 was prepaid
 - b) Stock was valued at sh 34,3000.000
 - c) Tax provision of 15,000,000 was made
 - d) Directors proposed to pay dividends of 10% to ordinary shareholders
- ii. Depreciation is to be calculated on fixed assets at rate 20% on reducing balance method.
- iii. The debenture interest for the remaining year is to be accrued.

Required: The income statement for the year ending 31st oct 2017(10marks)

QUESTION THREE

- a) Cash flow statement format requires the cash movement to be summarized into three categories. Name and explain them (5marks)
- b) The balance sheet of Kwetu Ltd for the year ending 31st December 2016 and 31st December 2017 are as shown below.

Fixed assets	2017	2016
Premises	10,000	10,000
Fixtures	17,000	11,000
Vehicles	12,500	8,000

Current assets

Stock	17,000	14,000
Debtors	8,000	6,000
Bank & cash	23,000	29,500
	<u>87,500</u>	<u>78,500</u>
Financed by		
Ordinary shares	60,000	50,000
Profit and loss account	5,000	4,000
Creditors	4,000	2,500
Taxation	1,500	1,000
Proposed dividends	2,000	1,000
10% debentures	15,000	20,000
	<u>87,500</u>	<u>78,500</u>

Separate bank and cash account as at 31st December 2017

	Bank	Cash		Bank	Cash
Bal b/f	25,300	4,200	Paid creditors	23,250	-
Cash from debtor	30,500	3,750	Salaries	700	900
Disposal of assets	1,200	500	Other expenses	2,400	1,200
Ordinary shares	10,000	-	Debenture interest	2,000	-
Transfer from cash	4,650	-	Fixtures	7,000	-
			Vehicles	8,000	-
			Tax paid	1,000	-
			Dividends paid	1,000	-
			10% debentures	5,000	-
			Transfer to bank		4,650

Balances c/d 21,300 1,700

71,650 8,450 71,650 8,450

Required: Using the direct method prepare the cash flow statement as at 31st Dec 2017 (10 marks)

QUESTION FOUR

- a) Name and explain five importance of ratios as a tool of financial analysis(5 marks)
- b) The following is a summarized final accounts of Mjengo Ltd for the year ending 31st December 2018

TRADING PROFIT AND LOSS ACCOUNT

	KSH	KSH
Sales		850,000
Less: Cost of sales		
Opening stock	99,500	
purchases	559,500	
less closing stock	(149,000)	510,000
Gross profit		340,000
<i>less</i> operating expenses		
Selling and distribution	30,000	
Depreciation	10,000	
Administration expenses	135,000	(175,000)
EBIT		165,000
Less interest expenses		(15,000)
Earnings before taxes		150,000
Taxes at 30%		(45,000)
Net income after taxes		135,000
Less ordinary dividends Ksh0.75 per share		(15,000)
Retained profit		<u>120,000</u>

BALANCE SHEET

Land and building	250,000	Issued capital	170,000
plant and machinery	80,000	Reserves	90,000
Current assets		Retained profit	120,000
Inventories	149,000	Long term debts	70,000
Debtors	71,000		

Cash at bank	30,000	Current liabilities	130,000
	<u>580,000</u>		<u>580,000</u>

Required

Calculate the following:

- Current ratio (2marks)
- Quick ratio (2marks)
- Net working capital ratio (2marks)
- Debt ratio (2marks)
- Stock turnover (2marks)

QUESTION FIVE

- Describe the five modes of dissolving a Partnership business (5 marks)
- Name the feature of long term contract(5marks)
- Maasai girls school acquired two buses on 1st January 2010 for sh129,150,000. The cash price of the buses was 90,000,000. The deal was financed by Family bank and the terms of the hire purchase required a deposit of sh30,000,000 on delivery, followed by three installments on 31st December 2010,2011 and 2012 of 33,000,000,33,000,000 and 33,150,000 respectively. The rate of interest was 30%pa and depreciation is at rate of 20%pa on straight line base

Required: Prepare the appropriate accounts in the books of Maasai girls' school to record the above transactions (5Marks)

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