

The
Management
University
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DIPLOMA UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DIPLOMA COMMON UNIT

DCU 102 : INTRODUCTION TO FINANCIAL ACCOUNTING AND COST
ACCOUNTING

DATE: 27th JULY 2022

DURATION: 2 HOURS

MAXIMUM MARKS:70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **FOUR** questions.
6. Question **ONE** carries **30 Marks** and the rest carry **10 Marks** each.
7. Write all your answers in the examination answer booklet provided.

QUESTION ONE

Below are two-year comparative account records for Emmanuel, a sole trader.

	2019	2020
	\$	\$
Gross profit		44,700
Motor expenses		1,940
Wages		17,200
General expenses		830
Discounts received		410
Bad debts		520
Increase in doubtful debt provision		200
Depreciation: Van		1,800
Profit on sale of van		620
Stock	18,600	24,000
Debtors	8,800	7,700
Provision for bad debts	600	800
Bank	410	720
Vans at cost	15,400	8,200
Accumulated Depreciation	5,300	3,100
Creditors	5,900	7,200
Loan from J Fry	10,000	7,500
Capital	17,210	21,410
Net profit	21,200	
Drawings	17,000	22,630
	120,420	171,480

Additional information

A van with a book value of \$3,200 was sold for \$3,820 in 2020. No new vans were purchased during the year.

Required:

- Identify five characteristics of good accounting information (5 Marks)
- Prepare Emmanuel's profit & loss account for the year ended 31 December 2020 (8 marks)
- Prepare Emmanuel's balance sheet as at 31 December 2020 (8 marks)
- Prepare Emmanuel's cash flow statement for the year ended 31 December 2020 (9 marks)

QUESTION TWO

The trial balance for Peter & John Partnership is given as follows:

Peter & John		
Trial Balance as at 30th June 2013		
	Kshs	Kshs
Buildings	562,500	
Provision for depreciation: Buildings		187,500
Fixtures at cost	82,500	
Provision for depreciation: Fixtures		24,750
Debtors	121,823	
Creditors		83,625
Cash at bank	5,078	
Stock at 30 June 2003	314,843	
Net profit		82,463
Provision for bad debts		3,000
Loan from J Working		300,000
Capitals: Peter		262,500
John		221,250
Current accounts: Peter		9,795
John		2,235
Drawings: Peter	48,000	
John	42,375	
	1,177,118	1,177,118

Additional information

- i. Stock on 30 June 2013 Kshs 422,550
- ii. Depreciate fixed assets at 10 per cent on straight line method. This was not factored in calculating net profit.
- iii. Partnership salary to Peter: Kshs 6,000
- iv. Interest on drawings: Peter Kshs 1,350; John Kshs 900.
- v. Interest on capital account balances at 10 per cent.

Required:

- a) Differentiate between a sole trade and a partnership (3 Marks)
- b) Partnership appropriation account for the period ended 30 June 2013 (4 Marks)
- c) Partners' capital and current accounts (3 Marks)

QUESTION 3

Blossom Ltd has provided the following trial balance.

Blossom Ltd		
Trial balance as at 30 June 2010		
	Debit	Credit
	£	£
Furniture	100,800	
Provision for depreciation on Furniture		9,600
Motor vehicles	324,000	
Provision for depreciation on Motor vehicles		18,240
Sales		324,132
Purchases	145,600	
Stock as at 1 July 2009	30,791	
Salaries	38,779	
Administration expenses	11,996	
Directors' salaries	14,400	
Debtors	23,796	
Creditors		19,758
Bank	5,969	
Dividends paid out	17,400	
Issued ordinary share capital (120,000 shares at £1)		120,000
General reserve		24,000
Share premium account		36,000
Revaluation reserve		60,000
Retained Profit		41,801
5% debentures		60,000
	713,531	713,531

Additional information:

- 1) Stock as at 30 June 2010 was valued at £30,522
- 2) Depreciation is to be charged as follows:
 - i. Furniture depreciated at a rate of 10% using reducing balance
 - ii. Vehicles depreciated at a rate of 10% on cost
- 3) Debenture interest hasn't been paid
- 4) \$10,000 of retained earnings to be transferred to general reserve.
- 5) Profit to be taxed at a rate of 30%

Required

- a) Statement of comprehensive income for the period ended 30 June 2010 (5 Marks)
- b) Statement of financial position as at 30 June 2010 (5 Marks)

QUESTION 4

The following are financial statements for Jubilee Ltd.

Jubilee Ltd		
Trading, Profit and Loss Account for the year ended 31.12.16		
	Shs	Shs
Sales		1,275,000
Less: Cost of Sales		
Opening inventory	149,250	
Purchases	839,250	
	988,500	
Less Closing inventory	223,500	765,000
Gross profit		510,000
Less Expenses		
General expenses	202,500	
Salaries	45,000	
Depreciation expense	15,000	262,500
Earnings before interest & tax		247,500
Interest		22,500
Earnings before tax		225,000
Corporation tax (30%)		67,500
		157,500
Less ordinary dividend		
(0.75 per share * 30,000 shares)		22,500
Retained profit for the year		135,000

Jubilee Ltd			
Balance Sheet as at 31 December 2016			
Non-Current Assets	Shs	Shs	Shs
Vehicles			375,000
Furniture			120,000
			495,000
Current Assets			
Inventory		223,500	
Receivables	112,500		
Less provision for bad debts	6,000	106,500	
Cash		45,000	
		375,000	
Less Current Liabilities			
Payables		150,000	225,000
			720,000
Financed by:			
Issued share capital (30,000 share of Shs 10)			300,000
Reserve			135,000
Retained earnings			135,000
Long Term Liabilities			
Long term loan			150,000
			720,000

a) Calculate the following ratios

(4 Marks):

- i. Current ratio
- ii. Debt ratio
- iii. Creditors turnover
- iv. Return on investment (ROI)

b) Before a firm raises funds from the capital market, there are listing requirements they need to fulfil. Explain any three listing requirements (6 marks)

QUESTION 5

- a) Discuss any three errors that don't affect the trial balance (6 Marks)
- b) The accounting conventions guide on preparation of financial statements. Explain any two accounting conventions (4 Marks)

QUESTION 6

- a) Giving examples, explain any two classification of costs (4 Marks).
- b) Discuss any three types of books of original entry (6 Marks).

