

DBM 008



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2019/2020 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

FOR THE BACHELOR OF ARTS ECONOMICS

COURSE CODE: DBM 08

COURSE TITLE: FINANCIAL ACCOUNTING

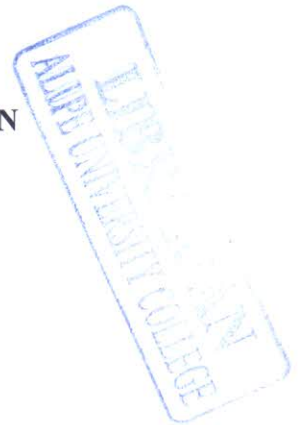
DATE: 16TH OCT 2020

TIME: 9am-12 Noon

INSTRUCTIONS TO CANDIDATES

- SEE INSIDE THIS PAPER CONSISTS OF 3 PRINTED PAGES OVER

PLEASE TURN



COURSE CODE: DBM 08 COURSE TITLE: FINANCIAL ACCOUNTING**STREAM: DBM****DURATION: 3 HOURS****INSTRUCTIONS TO CANDIDATES**

- i. Answer three questions. Question one is compulsory
- ii. Do not write on the question paper

QUESTION ONE (30 MARKS)

- a. Define a partnership and briefly give three reasons why it exists (8 marks)
- b. Definition of an error and explain five errors that do not affect the trial balance (12 Marks)
- c. Enumerate five features of company accounts (10 Marks)

QUESTION TWO (20 MARKS)

The following list of balances as at 30 September 2019 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.

	Kshs	
Printing, stationery and postage	3,500	
Sales	322,100	
Stock in hand at 1 October 2018	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 2018:		

DBM008

Brick	3,600	credit
Stone	2,400	credit
Capital account balances		
At 1 October 2018:		
Brick	33,000	
Stone	17,000	
Debtors	9,300	
Creditors	8,400	
Balance at bank	7,700	

Additional information

1. Kshs 10,000 is to be transferred from Brick's capital account to a newly opened Brick Loan Account on 1 July 2019.
2. Interest at 10 per cent per annum on the loan is to be credited to Brick.
3. Stone is to be credited with a salary at the rate of shs 12,000 per annum from 1 April 2019.
4. Stock in hand at 30 September 2019 has been valued at cost at shs 32,000.
5. Telephone charges accrued due at 30 September 2019 amounted to shs 400 and rent of shs 600 prepaid at that date.
6. During the year ended 30 September 2019 Stone has taken goods costing shs 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 2019.
- (b) Prepare a balance sheet as at 30 September 2019 which should include summaries of the partners' capital and current accounts for the year ended on that date.

QUESTION THREE (20 MARKS)

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

Required:

- a. Discuss the enumerated types of shares
 - i. Authorized share capital (2 Marks)
 - ii. Issued share capital (2 Marks)
 - iii. Called up share capital (2 Marks)
 - iv. Uncalled up share capital (2 Marks)
 - v. Paid up share capital (2 Marks)
- b. Determine the values. (10Marks)

QUESTION FOUR (20 MARKS)

- a. Demonstrate your understanding of the partnership deed and its contents (10 Marks)
- b. Differentiate between unlimited partnership and a limited company (10 Marks)
