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SUBJECT: ACCOUNTING AND CONTROL
CLASS: DHRM MODULE 3 – EVENING CLASS
DATE: 26TH MAY 2015
TIME: 2 ½ HRS

QUESTION ONE

Define control account and its purpose

(8mks)

Poesha limited keeps sales and purchases control accounts in the general ledger. The transactions for the month ended 30 April 2010 were as follows:

	Sh
Credit balances on 1 April 2010	
- sales ledger	154,000
-purchases ledger	569,000
Debit balances on 1 April 2010	
-sales ledger	956,000
-purchases ledger	196,000
Credit balances on 30 April 2010	
-sales ledger	178,000
Debit balances on 30 April 2010	
-purchases ledger	189,000
Credit purchases	2,450,000
Credit sales	4,563,000
Cheques received from debtors	3,140,000
Cash received from debtors	1,367,000
Cheque payments to creditors	1,994,000
Cash payments to creditors	352,000
Bad debts written-off	68,000
Discounts received	104,000
Discounts allowed	169,000
Contra entry to sales ledger from purchases ledger	234,000
Refunds to debtors	62,000
Returns outwards	138,000
Returns inwards	231,000

Required

Trade receivable and payable control account (12mks)

QUESTION TWO

Abdul is a merchant operating in Mombasa. His trial balance for the year ended 31/12/2014 is;

	Dr.	Cr.
Sh.	'000'	sh. '000'
Motor vehicles	4,000	
Furniture fittings	3,000	
Stock (1/1/14)	2,000	
Sales		30,000

Purchases	20,000	
Returns	2,000	1,000
Discounts	3,000	1,000
Debtors/ creditors	8,000	4,000
Bad debts	1,000	
Provision for bad & doubtful debts		500
Motor vehicles expenses	1,000	
Rent	500	
Salaries & wages	1,000	
Electricity & water	1,500	
Telephone	300	
Carriage inwards	200	
Carriage outwards	300	
Drawings	3,000	
Capital		<u>14,300</u>
	<u>50,800</u>	<u>50,800</u>

Addition information

1. Stock at 31/12/14 amount to sh. 3,000,000.
2. Provision for bad & doubtful debts is set at 5% of current debtors.
3. Motors vehicles expenses unpaid amount to sh. 300,000, rent paid in advance amount to sh. 100,000 while salaries and wages prepaid was sh. 200,000.
4. A quarter of telephone bills paid relate to the year 2004.
5. Unpaid electricity & water amount to sh. 100,000.
6. Depreciation is provided on motor vehicles and fixtures at 20% and 10% respectively.

Required:

- (i) Income statement for year ended 31/12/14, (10mks)
- (ii) Statement of financial position as at 31/12/14 (10mks)

QUESTION THREE

- (a) Highlight six objectives of ratio analysis (6mks)
- (b) The following are the income statement and statement of financial position for contact ltd.
For the year ended 31 December 2012:

Income statement for the year ended 31 December 2012

	Sh. "000"	sh. "000"
Sales		850,000
Cost of sales		
Opening inventory		99,500
Purchases: credit	545,250	
: cash	14,250	559,500
Closing inventory	(149,000)	(510,000)
Gross profit		340,000
Operating expenses		
Selling and distributing	30,000	
Deprececiation	10,000	

Administrative expenses	135,000	
Interest (financing) expenses	15,000	
		(190,000)
		150,000
Corporation tax		(75,000)
Profit after tax		75,000
Ordinary dividend		(15,000)
		60,000

Note: credit sales are 80% of total sales.

Statement of financial position for the year ended 31 December 2012

	Sh. "000"	sh. "000"
Non current assets:		
Land and buildings		250,000
Plant and machinery (net)		<u>80,000</u>
		330,000
Current assets		
Inventory	149,000	
Trade receivables	75,000	
Less: allowance for debts	<u>(4,000)</u>	71,000
Cash		<u>30,000</u>
		250,000
Current liabilities:		
Trade payable	<u>(130,000)</u>	
Net current assets		<u>120,000</u>
		<u>450,000</u>
Financed by:		
Issued ordinary share capital (sh. 10 each)		200,000
Share premium		90,000
Revenue reserves		60,000
Shareholders' funds		350,000
Debentures		<u>100,000</u>
		<u>450,000</u>

Note: assume a 360 day year.

Required:

- (i) Current ratio
- (ii) Quick ratio
- (iii) Debt ratio
- (iv) Debt to equity ratio
- (v) Inventory turnover
- (vi) Trade receivables turnover

(vii) Average collection period

(14mks)

QUESTION 4

The following are the statements of financial position of Big Ben Ltd. As at 30 September 2010 and 30 September 2011.

ASSETS	2010 Sh “000”	2011 Sh “000”
Non - current assets:		
Property, plant and equipment	38,180	57,612
Investments available for sales	<u>2,500</u>	<u>1,000</u>
	<u>40,680</u>	<u>58,612</u>
Current assets:		
Inventories	8,280	10,350
Trade receivables	40,140	5,038
Cash in hand and bank	1,700	-
	<u>14,120</u>	<u>15,388</u>
	<u>54,800</u>	<u>74,000</u>
Total assets		
Equity and liabilities:		
Ordinary share capital	31,600	45,400
Share premium	2,760	5,520
Retained profit	6,900	11,040
	41,260	61,960
Non-current liabilities:		
10% debentures	5,260	1,000
Current liabilities:		
Trade payables	2,760	4,140
Taxation	3,450	4,140
Dividends	2,070	2,070
Bank overdraft	-	690
Total equity and liabilities	<u>8,280</u>	<u>11,040</u>
	<u>54,800</u>	<u>74,000</u>

The following is an extract from the income statement of Big Ben Ltd. For the year ended 30 September 2011:

	Sh.”000”	Sh.” 000”
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Operating profit		12,520
Finance cost		(100)
Profit before tax		12,420
Income tax expense		<u>(4,830)</u>
Profit after tax		7,590
Dividends –paid	(1,380)	
-proposed	<u>(2,070)</u>	<u>(3,450)</u>
Retained profit		<u>4,140</u>

Additional information

1. An item of plant was disposed of during the year ended 30th September 2011 for 2,070,000. The item had cost sh.4, 140,000 and an accumulated depreciation of sh.1, 380,000. at the same time new premises were acquired at a cost of sh. 25,200,000.
2. There was no acquisition or disposal of investments.

Required:

Statement of cash flows for the year 30 ended 30 September 2011 in conformity with International Accounting. Standard (IAS) 7-statement of cash flows. (20mks)

QUESTION FIVE

Ideal Products Limited, manufactures two products A and B. For the financial year ended 30 June 2004, the following information was assembled for preparation of the budget:

Standard data per unit

Direct Materials	Standard Price per Kg;.	Product A	Product B
	Sh	Kg	Kg
M1	10	10	4
M2	20	4	6
Direct Labour	Standard rate	Product A	Product B
	per hour	Hours	Hours
L1	30	8	10
L2	20	12	5

The following additional information was available:

- 1) Fixed Production overhead costs were recovered on a direct labour basis.
- 2) Administration, selling and distribution costs were absorbed at the rate of 20% of production cost.
- 3) Profit was estimated at the rate of 25% of cost of making and selling the products.

Product A

Product B

	Sh. '000'	Sh. '000'
Expected sales for the year	13,494	18,816
5) Finished goods stock valued at standard production cost was as follows:		
	Product A	Product B
	Sh. '000'	Sh. '000'
1 July 2003	1,730	1,176
30 June 2004	1,038	1,568
6) Direct materials stock valued at standard prices was as follows:		
	Product A	Product B
	Sh. '000'	Sh. '000'
1 July 2003	640	600
30 June 2004	360	800

7) For the year ended 30 June 2004, 'fixed overheads had been budgeted at Sh. 5,760,000 and direct labour hours budgeted at 3,600,000 hours.

8) It is management's expectations that there will be no opening or closing work-in progress.

Required:

- | | |
|---------------------------------|-----------|
| a) Production budget in units | (8 Marks) |
| b) Direct Material cost budget. | (3 Marks) |
| c) Purchases budget | (6 Marks) |
| d) Direct labour cost budget. | (3 Marks) |

QUESTION SIX

The following details were extracted from pmg company in the first two weeks of January

- i) January 1 received petty cash Sh 20000
- ii) January 1 paid for sugar Sh 700
- iii) January 2 bought pencils and pens Sh 800
- iv) January 4 bus fare Sh 400
- v) January 5 telegram Sh 1500-
- vi) January 8envelops Sh 900
- vii) January 9paid David (trade creditor) Sh 6000
- viii) January 9 coffee Sh 200
- ix) January 15 cleaning Sh14000

Required

Petty cashbook of the two weeks (10mks)

b. Mr. Tamaa started a business on 1st January 2007.during the first month of trading the following transactions took place.

- 1. Wrote a personal cheque and deposited into the business bank account Sh800,000
- 2. Withdrew Sh200, 000 from the bank and put it into the cash till.

3. 2nd Jan, Purchased goods by cheque Sh70,000
4. 3rd Jan, Bought furniture for cash Sh25,000
5. 3rd Jan, Bought equipment on credit Sh75,000
6. 4th Jan, Sold goods for cash Sh100,000
7. 5th Jan, Bought goods and paid by cheque Sh.200,000
8. 6th Jan, Bought a motor van paying by cheque Sh.210,000
9. 10th Jan, Obtain loan from the bank Sh.500,000
10. 12th Jan, Sold goods on credit Sh75,000
11. 16th Jan, Sold goods payment made by cheque Sh.100,000
12. 16th Jan, Received a cheque from a debtor Sh.60,000
13. 30th Jan, Took Sh10,000 from the cash till personal use.

Required:

Using the given details write up a two column cash book for Mr. Tamaa for the month of January 2007. (10mks)

QUESTION SEVEN

- 1) Define the following terms

Accounting concepts

Accrual concept

Dual concept

Cost concept

Cash flows

(10mks)

- 2). Briefly explain five classification of cost

(10mks)