**RCM ONLINE COLLEGE**

**ATD 2 SEP DEC SEMESTER CAT 1**

**QUESTION 1(20 MARKS)**

(a)Explain the following concepts used in the preparations of financial statements:

1. Relevance
2. Reliability
3. Faithful representation
4. Neutrality
5. Completeness

**(b)**Identify five benefits of customized accounting software. (10 marks)

**QUESTION 2-20MARKS**

The books of account of NDI Ltd. For the year ended 30 June 2016 showed the balance at bank as recorded in the cashbook as sh.1, 254,800. This balance differed with actual bank balance.

The books of account were investigated and the following information was revealed:

1. Cheque number 113571 dated 12 may 2016 for sh. 324,000 in favor of Miriam Ltd. Was correctly recorded in the bank statement, but recorded in the cash book as sh.234,000
2. Bank commission charged of sh. 24,500 and bank interest of sh. 18,100 were not recorded in the cash book but was not yet banked.
3. A cheque for sh. 46,500 received from Bado Ltd. And recorded in the cashbook was returned by the bank with the stamp insufficient funds.
4. A cheque for sh. 65,000 for of electricity had been entered twice in the cash book.
5. Cash received on 30 June 2016 amounting to sh. 352,500 had been recorded in the cash book but was not yet banked.
6. A standing order payment for rent of sh.98,000 had not been recorded in the cashbook
7. Cheques paid by NDI ltd amounting to Sh. 84,500 were unpresented to the bank as at 30 June 2016.
8. Jamii Ltd. a debtor, cleared their debt of sh.285, 000 on 28 June 2016 through a direct deposit in the bank. This had not been recorded in the cash book.

**Required:**

1. The bank statement balance as at 30 June 2016.
2. The updated cash book as at 30 June 2016.
3. Bank Reconciliation Statement.

**QUESTION 3-20 MARKS**

The following trial balance was extracted from the books of Joyce Mello as at 30 April 2017:

|  |  |  |
| --- | --- | --- |
|  | **Sh. ‘000’** | **Sh. ‘000’** |
| Inventory as at 1 May 2016  Purchases  Returns Outwards  Cash in hand  Bank balance  Buildings at cost  Sundry expenses  Stationery  Legal fees  Allowance for doubtful debts  Trade receivables and trade payables  Salaries  Capital  Selling and distribution costs  Discounts allowed and discounts received  Sales  Equipment at cost  Rates and insurance  Returns inwards  Accumulated depreciation: (1 May 2016):  Buildings  Equipment | 50,000  170,020  13,400  32,660  50,000  840  1,640  280  36,000  39,000  1,600  6,300  5,000  4,000  1,550  -  412,290 | 4,600  3,500  39,670  116,800  4,600  229,950  11,400  1,770  412,290 |

**Additional information:**

1. Allowance for doubtful debts is to be increased to Sh. 5,000,000.
2. Rates due as at 30 April 2017 amounted to Sh. 500,000.
3. Inventory as at 30 April was valued at Sh. 52,000,000.
4. Drawings amounting to Sh. 10,000,000 have been debited to the capital account.
5. Depreciation is to be charged on cost as follows:

|  |  |
| --- | --- |
| **Non-current Asset** | **Rate per annum** |
| Buildings  Equipment | 5%  10% |

1. Insurance amounting to Sh. 200,000 relates to the year ending 30 April 2018.

**Required:**

1. Income statement for the year ended 30 April 2017.
2. Statement of financial position as at 30 April 2017.

**QUESTION 4-20 marks**

(a)The following balances were extracted from the books of Furahia Enterprises for the month of September 2013: **(16 MARKS)**

|  |  |
| --- | --- |
|  | **Sh.** |
| Debit balance (1 September 2013): Sales ledger  Purchases ledger  Credit balance (1 September 2013): Sales ledger  Purchases ledger  Credit notes received from suppliers  Debt collection expenses  Interest charged on customers' overdue accounts  Customers dishonored cheques  Bad debts written off  Receipts from customers  Interest charged by creditors on overdue accounts^  Payment to creditors  Contra settlements  Credit notes issued to customers  Credit sales  Cash sales  Cash purchases  Credit purchases  Discounts, allowed  Discounts received  Balances as at 30 September 2013:  Sales ledger (credit)  Purchases ledger (debit) | 14,280,000  1,920,000  1,680,000  6,720,000  1,860,000  480,000  384,000  1,260,000  720,000  1,280,000  588,000  7,680,000  390,000  270,000  17,340,000  3,240,000  2,160,000  7,440,000  1,080,000  690,000  1,110,000  1,050,000 |

**Required;**

(i)Sales ledger control account for the month ended 30 September 2013.

(ii0Purchases ledger control account for the month ended 30 September

**(b)**Distinguish between ‘purchased goodwill’ and ‘non-purchased goodwill’(4 marks)

**QUESTION 5-20 marks**

(a)Explain the following methods of measurement of elements in financial statements:(6 marks)

(i)Historical cost.

(ii)Net realisable value.

(iii)Present value.

**(b)**Jabali Ltd. started its operations on 1 January 2008. The company acquired several items of plant for its use. The amounts for the plant acquisitions, disposals and depreciation for the years 2008, 2009 and 2010 are shown below.

The amounts for the year 2011 have not yet been computed.

Plant movement extracts for the years ended:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2008**  **Sh'000'** | **2009**  **Sh'000'** | **2010**  **Sh'000'** | **2011**  **Sh'000'** |
| Plant at cost  Accumulated depreciation  Net book value | 80,000  (16,000)  64,000 | 80,000  (28,800)  51,200 | 90,000  (36,700)  53,300 | ?  ?  ? |

**Additional information:**

1. Disposals took place at the beginning of the financial years as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Date of disposal for the year ended 31 December** | **Plant cost** | **Sales proceeds** |
|  |  | **Sh'000'** | **Sh'000'** |
| Disposal of plant A  Disposal of plant B | 2010  2011 | 15,000  30,000 | 8,000  21,000 |

1. Plant A and plant B were sold and replaced on the same date when plant C and plant D were acquired. Plant D cost Sh.50 million while the value of plant C is to be derived.
2. Depreciation is charged at 20% on reducing balance.

**Required:**

1. Extract of the plant movement schedule for the years ended 2008, 2009, 2010 and 2011.
2. Profit or loss arising on disposal of plant A and plant B.