

INTERMEDIATE ACCOUNTING I

BAM II & Bsc. Acc & Fin II TEST II

Date: 11th December 2022

Time: 11Am

Instructions: Attempt one question

✓ Question One

- a) Bakabulindiis a trader who has divided his business into the department of electronics and mobile money. As an Intermediate Accounting I student explain him the following:
- The advantages of operating in departments (4 Marks)
 - any four suitable bases he can use to apportion expenses showing an example of an expense in each case (8 Marks)
- b) The following list of balances was extracted from the books of Kubali who runs his business in three departments, Toys, Books, and Clothing on 31 December, 2017

Stocks, 1 January, 2017	£
Toys	11,220
Books	10,890
Clothing	25,000
Stocks, 31 December 2017	
Toys	13,100
Books	11,210
Clothing	28,300
Purchases directing 2017	
Toys	120,000
Books	90,000
Clothing	210,000
Sales during 2017	
Toys	250,000
Books	150,000
Clothing	350,000
Wages and salaries	138,200
Rent and rates	10,800
Staff welfare and canteen	8,400
Light and heat	7,500
Advertising	45,600
Carriage inwards	28,000
Carriage outwards	18,000

The following additional information about departments is also available:

	Toys	Books	Clothing
Floor area in Sq metres	400	320	480
Number of employees	18	12	20

Required

Draw up Kubali's statement of comprehensive income, apportioning expenses on suitable basis. (13 Marks)

Question Two

Sheep and goat were partners who withered the storms of business for 10 years during which time other members had retired and decided to dissolve the partnership on 31st March 2020. Their statement of financial position was as follows:

Noncurrent Assets		shs'000	shs'000
Free hold property			40,000
Motorvehicles			6,500
Equipment			<u>3,400</u>
			49,900
Current Assets			
Stock		10,600	
Debtors		49,800	
Bank		<u>4,200</u>	<u>64,600</u>
Total Assets			<u>114,500</u>
Financed By:			
Capital Accounts:	Sheep	60,000	
	Goat	<u>40,000</u>	100,000
Current Accounts	Sheep	1,250	
	Goat	<u>2,450</u>	3,700
Current Liabilities			
Accounts Payable		10,000	
Bank overdraft		<u>800</u>	<u>10,800</u>
Total Capital and Liabilities			<u>114,000</u>

Additional information:

- They share profits and losses in the ratio 3:2
- The following were disposed off with the following values

Item	shs'000
Freehold property	55,000
Vehicle	800,000
Equipment	2,800
Stock	11,200
- Vehicles were taken over by the two partners; Sheep taking over vehicle of shs 1,100,000 while Goat took over vehicle of shs. 3,500,000
- Debtors of Shs. 49,000,000 were factored to Jenifer for Shs. 48,000,000. The balance of shs. 300,000 was not realized.
- The creditors and bank overdraft were paid in full.
- Dissolution expenses were 325,000

Required: Show the following accounts

- Realization A/C
- Creditors and bank overdraft
- Bank A/C
- Current A/C
- Capital A/C

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