KAKA

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
DAC 501: FINANCIAL ACCOUNTING
NAIROBI CAMPUS
JAN-APRIL 2013
ASSIGNMENT ONE
DUE DATE 6[TH] APRIL 2013

INSTRUCTIONS

1. The assignments should be done in groups of not more than five and not less than four.
2. The assignments must be handed in typed
3. The assignment are due latest by Saturday 6[th] March 2013 at Am Bank House 15[th] Floor, earlier submission is encouraged
4. Students are free to select group members from Tuesday (day or evening) or Saturday classes

---

Old Town Play House
Statement of Financial Position
September 30, 2012

Assets		Liabilities & Owners Equity	
Cash	21,900	Liabilities:	
Accounts Receivable	132,200	Accounts Payable	6,000
Props and Costumes	3,000	Salaries Payable	29,200
Theater Building	9,400	Total liabilities	35,200
Lighting Equipment	27,000	Owner's equity:	
Automobile	15,000	Helen Berkeley, Capital	50,000
Total	85,200	Total	8 5,200

Helen Berkeley is the founder and manager of Old Town Playhouse. The business needs to obtain a bank loan to finance the production of its next play. As part of the loan application, Berkeley was asked to prepare a balance sheet for the business. She prepared the following balance sheet, which is arranged correctly but which contains several errors with respect to such concepts as the business entity and the valuation of assets, liabilities, and owner's equity.

In discussions with Berkeley and by reviewing the accounting records of Old Town Playhouse, you discover the following facts:

1. The amount of cash, $21,900, includes $15,000 in the company's bank account, $1,900 on hand in the company's safe, and $5,000 in Berkeley's personal savings account.
2. The accounts receivable, listed as $132,200, include $7,200 owed to the business by Artistic Tours. The remaining $125,000 is Berkeley's estimate of future ticket sales from September 30 through the end of the year (December 31).
3. Berkeley explains to you that the props and costumes were purchased several days ago for $18,000. The business paid $3,000 of this amount in cash and issued a note payable to Actors' Supply Co. for the

remainder of the purchase price ($15,000). As this note is not due until January of next year, it was not included among the company's liabilities.

4. Old Town Playhouse rents the theater building from Kievits International at a rate of $3,000 a month. The $27,000 shown in the balance sheet represents the rent paid through September 30 of the current year. Kievits International acquired the building seven years ago at a cost of $135,000.

5. The lighting equipment was purchased on September 26 at a cost of $9,400, but the stage manager says that it isn't worth a dime.

6. The automobile is Berkeley's classic 1988 Jaguar, which she purchased two years ago for $9,000. She recently saw a similar car advertised for sale at $13,000. She does not use the car in the business, but it has a personalized license plate that reads "PLAHOUS."

7. The accounts payable include business debts of $3,900 and the $2,100 balance of Berkeley's personal Visa card.

8. Salaries payable include $25,000 offered to Mario Dane to play the lead role in a new play opening next December and $4,200 still owed to stagehands for work done through September 30.

9. When Berkeley founded Old Town Playhouse several years ago, she invested $20,000 in the business. However, Live Theatre, Inc., recently offered to buy her business for $50,000. Therefore, she listed this amount as her equity in the above balance sheet.

Required:

a. Prepare a corrected Statement of Financial Position for Old Town Playhouse at September 30, 2012.

(16 Marks)

b. For each of the nine numbered items above, explain your reasoning in deciding whether or not to include the items in the Statement of Financial Position and in determining the proper dollar valuation.

(9 marks)

KAKA

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING
MBA PROGRAMME
DAC 501: FINANCIAL ACCOUNTING
JANUARY– APRIL 2013
Assignment II

DUE ON 12TH APRIL 2013

==

Instructions:

1. **This is a group assignment.**
2. **The group members should not be more than five and not less than four.**
3. **You are encouraged to use same group members for both Assignments**
4. **Show All your Workings.**
5. **Be neat and tidy in your presentation**

==

On March 15 2012, Binzime Zime signed a lease agreement to operate a petrol station that was owned by Kizingo Oil Company (hereafter referred to simply as Kizingo). Binzime Zime had contacted the regional manager of Kizingo in response to an advertisement that solicited applicants "with Ksh.2.5 million to invest" to lease and operate a newly erected Kizingo service station.

The regional sales manager for Kizingo Oil Company was impressed with Binzime Zime's personal and financial qualifications, and after a few interviews, a lease agreement was signed. The lease agreement stipulated that Binzime pay a rental of Ksh.125, 000 a month for the station plus 40 cents for each litre of petrol delivered to the station by Kizingo.

Binzime was required, as a sign of good faith and as a pre-payment on certain obligations that would be incurred shortly, to deposit Ksh.2, 000,000 with Kizingo at the time the lease was signed. Binzime raised the cash for this deposit. Kizingo used most of the deposit to defray certain obligations incurred by Binzime to the oil company prior to the opening of the new station. The deductions from the Ksh.2, 000,000 deposit were applied as follows:

Inventories	Ksh.1, 325,000
Rental fee	142,000
Down payment (on Binzime's behalf on Equipment costing Ksh.1, 287,500)	257,500

The equipment became Binzime's property. A representative of the oil company stated that the equipment would last about five years. The unpaid, non-interest bearing balance of Ksh.1,030,000 Binzime owed Kizingo for equipment was to be paid in five semi-annual installments of Ksh.206,000 each. The first payment was due November 1st 2012. The Ksh.275, 500 remaining balance from the Ksh.2, 000,000 originally deposited with Kizingo was returned to Binzime on April 30. He deposited this amount in a current account he had set up for his service station.

Just before opening business on May 1, Binzime raised additional cash of Ksh.700, 000 which he also deposited in the current account. Prior to May 1, he wrote a cheque of Ksh.165, 000 for office furniture that had an expected life of 10 years. On April 30, Binzime transferred Ksh.20, 000 from the service station bank account to the cash drawer at the service station. It was Binzime's intention to deposit in the bank all but Ksh.20, 000 of the cash on hand at the close of each business day.

On May 1, the service station was opened for business. Binzime maintained a simple recordkeeping system in which cash receipts and cash payments were itemized daily in a loose-leaf notebook. During the months of May and June, the following cash receipts and payments had been recorded:

Cash receipts (May and June):	
Sales of petrol	KSh.6, 951,000
Rental from parking area on service station land	50,000

Cash payments (May and June):	
Purchases	Ksh. 4,469,400
Rent	201,800
Payroll	945,000
Utilities	44,500
Advertising	69,000
Miscellaneous	35,500
Withdrawals by Binzime (June1 and June 19)	675,000

The Ksh.50, 000 listed in cash receipts as rental income from parking area had covered a period extending May 15 to July 15. In addition to the record of cash receipts and payments, a detailed listing was kept of the amounts of money that were due from, or owed to, the individuals or companies. An analysis of these records revealed that Ksh.14, 300 was due from a wealthy widow who preferred to fuel her automobile on a credit basis. Also, on the evening of June 30, one of the employees completed waxing a car for a regular customer who was out of town and would collect his car on July 3. The amount due for waxing the car was Ksh.5, 600.

Wages earned by the station's employees and outstanding as at June 30 was Ksh.23, 200. Binzime took a physical inventory on the evening of June 30 and found inventory on hand totaling Ksh.1, 001,800. A further summary of his records revealed the following unpaid bills resulting from operations in June:

Kizingo Oil Company for merchandise	KSh.180, 400
Rent payable	7,500
Utilities for the month of June	42,500

Required

A May 1st statement of financial position for Binzime zime service station and an statement of comprehensive income for the two months ended June 30th 2012.

(Total: 30 marks)