

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF PROCUREMENT AND LOGISTICS MANAGEMENT**

BPLM 171: PRINCIPLES OF ACCOUNTING**STREAMS: BPLM Y1S2****TIME: 2 HOURS****DAY/DATE: THURSDAY 25/03/2021****2.30 P.M. – 4.30 P.M.****INSTRUCTIONS:**

- *Answer question one and any other two questions*
- *Do not write anything on the question paper*

Question one

(a) The following information was extracted from the books of Uchumi Ltd for the year ended at 30th September 2015.

	DR (Kshs.)	CR (Kshs.)
Stock: 1 st October 2014	41,600	
Carriage outwards	2,100	
Carriage inwards	3,700	
Return inwards	1,540	
Return outwards		3,410
Purchases	188,430	
Sales		380,400
Salaries and wages	61,400	
Warehouse rent	3,700	
Insurance	1,356	
Motor expenses	1,910	
Office expenses	420	
Lighting and heating expenses	894	
General expenses	245	
Premises	92,000	

Motor vehicles	13,400	
Fixtures and fittings	1,900	
Debtors	42,500	
Creditors		31,600
Cash at bank	5,106	
Drawings	22,000	
Capital		68,791
Total	484,201	484,201

Additional information:

Stock at the end of September 2015 was valued at Kshs. 44,780.

Salaries and wages paid in advance amount to Sh 1,400.

Warehouse rent accrued amount to sh. 2000.

Depreciation is to be provided as follows on straight line method

Fixture and fittings 10%

Motor vehicle 5%

Required:

Income statement account for the year ended 30th September 2015 (12 marks)

Statement of financial position as at 30th September 2015. (8 marks)

(b) Define the following

Going concern assumption (2 marks)

Revenue recognition principle (2 marks)

Prudence concept (2 marks)

Business entity assumption (2 marks)

Substance over form (2 marks)

Question two (20 marks)

Tom who operates a retail shop commenced business on 1st April 2005.

1st April commenced business by depositing sh. 96,000 in the tank.

2 April paid rent deposit of them sh. 1000 by cheque.

4 April Bought fitting and paid for them by cheque sh. 18, 000.

5 April Bought fitting on credit from Opiyo for sh. 2100.

6 April Brought goods on credit from John 21,300, Mary 17,100 and Peter 38,800.

7 April Made cash sales of sh 960.

8 April Sold goods on credit to Allan 7,200, Grace 11,000 and Luke 17,500.

- 9 April paid in cash sh 500 for miscellaneous expenses
 11 April Withdrew sh 600 from the bank for personal use
 12 April made cash sales of sh 2000
 13 April Sold goods on credit to Rachel 25,600, Ruth 7,450 and Frank 81,300
 14 April Allan returned goods worth sh.550
 15 April Tom paid sh. 17, 000 into the business bank account from his private account
 16 April Tom returned goods worth sh 1,300 to Mary
 18 April Bought fitting and paid in cash sh 680
 20 April received cheques from Allan less 10% and Luke less 15%
 21 April paid the following suppliers by cheque John less 10% and Mary less 10%
 23 April rent amounting to sh 2300 by cheque
 27 April received cheque from Grace less 10%
 28 April Paid Peter less 15% by cheque
 29 April paid wages amounting to sh1,100 by cash
 30 April withdrew cash from the bank amounting to sh, 2,330 for use in the business
 30 April Bought goods on credit worth sh 22, 760 from John

Required:

- Prepare a three column cash book to record the above transactions (12 marks)
 (c) Discuss any four (4) errors that are not disclosed by a trial balance. (4 marks)
 (d) Differentiate between materiality and consistency. (4 marks)

Question three

- (a) Explain five users of accounting information and their respective needs. (5 marks)
 (b) The following information was extracted from the financial records of Kenya tea supplies ltd as on 31st October 2017.

Opening stock	Ksh 3,000
Sales for the year	Ksh 28,000
Purchases for the year	Ksh. 14,000
Annual expenses	Ksh 5,000

Fixed Assets		Financed by	
Land & buildings	10,000	Capital	14,000
Motor vehicles	4,500	Net profit	10,000
Plant & Machinery	6,000	10% equity loan	4,000
Current assets		Current liabilities	
Debtors	3,000	Creditors	3,000
Cash at hand	2,000	Bank overdraft	1,000
Cash at bank	4,000	Accrued expenses	500
Pre-paid expenses	500		
Closing stock	2,500		
Total	32,500		32,500

Required:

- (a) Stock turnover ratio (3 marks)
- (b) Net profit ratio (2 marks)
- (c) Gross profit ratio (3 marks)
- (d) Return on capital employed ratio (ROCE) (3 marks)
- (e) Current ratio (2 marks)
- (f) Quick ration (2 marks)

Question four

- (a) Explain the basic qualitative characteristics of accounting information. (4 marks)
- (b) A bookkeeper extracted a trial balance on 31 December 2016 that failed to agree by sh. 3,300; a shortage on the credit side of the trial balance. A suspense account was opened for the difference. In January 2016, the following errors made in 2016 were found:
 - (i) Sales daybook had been under cast by sh. 1,000.
 - (ii) Sales of sh. 2,500 to J church had been debited in error to J Chaney account
 - (iii) Rent account had been under cast by sh. 700.
 - (iv) Discounts received account had need under cast by sh. 3,000.
 - (v) The sale of a motor vehicle at book value had been credited in error to sales account sh. 3, 600.

Required:

- (a) Record journal entries to correct the errors. (5 marks)
 - (b) Suspense account duly balanced. (3 marks)
 - (c) Explain four reasons for maintaining control accounts. (4 marks)
 - (d) Explain four limitations of ratios. (4 marks)
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