

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 : TUESDAY 28 /09/ 2021

2.30 PM – 4.30 PM

INSTRUCTIONS TO CANDIDATES:

- Answer Question One and any other Two Questions.

QUESTION ONE

HOPA traders is owned by Mr. Otis. The trial balance for the year ended 31.12.15 is as follows

Plant & machinery at cost	12,000	
Furniture at cost	8,000	
Motor Vehicle at cost	4,000	
Provision for depreciation on 1/1/15		
Motor Vehicle		1,300
Plant & Machinery		3,700
Furniture		3,500
Sales		38,000
Purchases	30,000	
Stock 1/1/2015	1,200	
Discounts	800	1,500
Provision for doubtful debts		1,000
Debtors / creditors	3,500	2,000

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Cash at Bank	1,800	
Rent and rates	700	
Electricity and water	400	
Bad debts	300	
Returns	600	800
Salaries and wages	850	
Drawings	1,750	
Capital		15,000
Insurance	900	
	66,800	66,800

Additional information

- i. Stock as at 31/12/15 amount to sh 1,300
- ii. salaries and wages accrued amount to sh.160 while rent and rates prepaid amount to sh.120
- iii. Depreciation is charged as follows
 - Plant and machinery 10% p.a using reducing balance method
 - Motor vehicles 15% p.a on cost
 - Furniture 20% p.a on cost
- iv. Provision for bad & doubtful debts is to be maintained at 7% of debtors
- v. Otis took goods worth sh.2000 for personal use

Required

Income Statement for the year ended 31/12/15 [12 Marks]
 Statement of Financial Position as at 31/12/15 [8 Marks]

- b) Define the following terminologies
- | | |
|----------------|-----------|
| Auditing | [2 Marks] |
| Materiality | [2 Marks] |
| Real Accounts | [2 Marks] |
| Current Assets | [2 Marks] |
| Going Concern | [2 Marks] |

QUESTION TWO

The trial balance of Ms.Wachira a trader failed to agree with a debit figure of sh.2,800

The following errors were discovered

- i. Cash sales for sh.250,000 were not entered in the books
- ii. Purchases of motor vehicle of shs.1,200,000 was debited in the motor vehicle expense account
- iii. A credit purchases of shs.6,300 was recorded in the books as sh.3,600
- iv. Purchases was under-cast by sh.1,800
- v. Rent was overcast by sh.4,200
- vi. A credit sale of sh.6,000 to mercy was debited in the account of Margret
- vii. Salaries and wages were under-cast by sh.5,200

Required

Journal entries to rectify the above errors

[7 Marks]

Duly balanced suspense Account

[3 Marks]

- b) The following information has been extracted from the books of Kariuki, who operates a shop, for the year ended 30 September 2014.

Balance as at 1 October 2013:		Sh.
Sales ledger debit balances		146,000
Sales ledger credit balances	1,000	
Purchases ledger credit balances		84,000
Purchases ledger debit balances		3,200
Totals for the year ended 30 th September 2014:		
Credit sales		2,250,000
Credit Purchases		1,772,000
Cash received from debtors		2,190,000
Payment to creditors including	1,715,000	
Discount allowed		25,000
Discount Received		10,000
Returns inwards		34,000
Returns outwards		30,000
Contra Entry		5,000
Bad debts written off	2,000	
Balances as at 30 th September 2014:		
Sales ledger credit balances	400	
Purchases ledger debit balances		1400

Required:

- (i) Sales ledger control account for the year ended 30 September, 2014 [5 Marks]
- (ii) Purchases ledger control account for the year ended 30 September, 2014 [5Marks]

QUESTION THREE

- a) Ms.Waweru started a new business with shs 200,000 cash. During June 2018, she carried out the following transactions
- 1/6 Bought goods worth shs 120,000 cash for resale
 - 2/6 Deposited shs 80,000 in a bank Account
 - 5/6 Paid salaries and wages shs 20,000 by cheque
 - 6/6 Sold goods for shs 160,000 cash
 - 8/6 Bought goods on credit worth shs.65,000 from Upendo
 - 10/6 Paid insurance shs.15,000 cash
 - 15/6 Paid Upendo shs.10,000 cash
 - 16/16 Sold goods on credit worth shs 90,000 to Amina

Required

- i. Journal Entries to record the above transactions [8 Marks]
- ii. Post the transactions to the relevant ledger accounts [8 Marks]
- iii. Trial balance [4 Marks]

QUESTION FOUR

- a) The following balances were given by Hopa traders as at 31st May 2021

Opening inventory	6,000
Closing inventory	8,000
Purchases on credit	48,000
Sales on Credit	80,000
Debtors	9,600
Cash	4,000
Prepayments	2,000
Creditors	5,000
Accruals	1,000

Required

- Current ratio [3 Marks]
- Quick ratio [2 Marks]
- Inventory turnover [3 Marks]
- Debtors turnover [3 Marks]
- Gross profit margin [3 Marks]

- b) Explain three users of accounting information and their specific needs. [6 Marks]
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