

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESITS/SPECIAL

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

BPLM 171: PRINCIPLES OF ACCOUNTING

STREAMS: BPLM (Y1S2)

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 03/02/2021

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

- (a) Briefly explain the following accounting concepts:
- | | |
|-----------------------------------|-----------|
| (i) Going concern | [3 marks] |
| (ii) Consistency | [3 marks] |
| (iii) Historical cost principle | [3 marks] |
| (iv) Business Entity Assumption | [3 marks] |
| (v) Revenue Recognition Principle | [3 marks] |
- (b) Explain five qualitative characteristics of accounting information. [10 marks]
- (c) Explain the importance of conceptual Framework [5 marks]

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QUESTION TWO

The following trial balance was extracted from the books of safari traders for the year ended 31st December 2014.

Account	Dr	Cr
	Sh '000'	Sh '000'
Capital		4400
Premises	3000	
Purchases	11500	
Sales		19902
Trade receivables	2100	
Trade payables		1020
Plant and machinery cost	5000	
Provision for depreciation plant and machinery		500
Salaries and wages	2324	
Postage and stationery	105	
Carriage inwards	105	
Carriage outwards	60	
Opening inventory	1800	
Retained profit		1200
Cash at bank	318	
Cash in hand	84	
Bad debts	57	
Drawings	200	
Allowance for doubtful debts		<u>21</u>
Office general expenses	<u>90</u>	
	27,043	27,043
	=====	=====

Additional information:

1. The closing inventory as at 30th Dec 2014 was valued at sh 2,160,000
2. Allowance for doubtful debts is to be adjusted to 3% of trade receivables
3. Office expenses prepaid as at 31st Dec 2014 was sh. 10,000
4. Salaries and wages outstanding as at 31st Dec 2014 amounted to sh. 100,000
5. Depreciation is provided for premises at 2% on straight line basis while for plant and machinery at 10% on reducing balance method.

Required:

- (a) Statement of income for the year ended 31st December 2014. [12 marks]
- (b) Statement of financial position as at 31st Dec 2014. [8 marks]

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QUESTION THREE

- (a) Explain the purpose for which control accounts are prepared in organizations. [4 marks]
- (b) Poesha Ltd keeps sales and purchases accounts in the general ledger. The transactions for the month ended 30th April 2010 were as follows.

Credit balances on 1 st April 2010 – sales ledger	154,000
- purchases ledger	569,000
Debit balances on 1 st April 2010 – sales ledger	958,000
-Purchases ledger	196,000
Credit balances on 30 th April 2010 – sales ledger	178,000
Debit balances on 30 th April 2000 – purchases ledger	189,000
Credit purchases	2,450,000
Credit sales	4,563,000
Cheques received from debtors	3,140,000
Cash received from debtors	1,367,000
Cheque payments to creditors	1,994,000
Cash payment to creditors	352,000
Bad debts written off	68,000
Discount received	104,000
Discount allowed	169,000
Contra entry to sales ledger from purchases ledger	234,000
Refunds to debtors	62,000
Returns outwards	138,000
Return inwards	231,000

Required:

- Prepare the sales ledger and purchases ledger control account. [10 marks]
- (c) Explain the users of accounting information. [6 marks]

QUESTION FOUR

- (a) Explain 4 types of errors that do not affect the trial balance. [4 marks]
- (b) The trial balance of S. Mwangi, a sole trader did not balance on 30th April 2010. The differences of sh 6800 was put on the credit side of suspense account. The fuel accounts were then prepared and showed a net profit of sh 64000. During audit the following errors were noted:

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- (i) A cheque of sh 4000 for rent received was not entered in the books of account
- (ii) A loan from ABD Bank of sh 10000 was entered correctly in the cashbook but not posted in the ledger.
- (iii) Discount allowed of sh 500 was debited in the discount received account
- (iv) Opening stock was understated by sh 3200
- (v) In reconciling the cashbook with the bank statement it was found that bank charges of sh 38000 had not been entered in the company's records
- (vi) Traders had purchased some plant on 30th March 2011 for sh 1,600,000
The payment was currently entered in the cash book but was debited to plant repairs account.
- (vii) Depreciation on sales plant is provided for at the rate of 20% per annum on cost.

Required:

- (i) Journal entries to correct the errors. [7 marks]
 - (ii) Suspense account [3 marks]
- (c) Explain the limitations of ratio analysis. [6 marks]
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