

CHUKA



UNIVERSITY

SUPPLEMENTARY / SPECIAL EXAMINATIONS

**FIRST YEAR EXAMINATION FOR THE AWARD OF BACHELOR DEGREE IN
BPLM 171 PRINCIPLES OF ACCOUNTING**

STREAMS:

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 18/11/2020

2.30 P.M - 4.30 P.M.

INSTRUCTIONS:

- Answer Questions One And Any Other Two

QUESTION ONE

- (a) Explain the following accounting terms
- | | | |
|-------|---------------------------|-----------|
| (i) | The going concern concept | [3 marks] |
| (ii) | Prudence concept | [3 marks] |
| (iii) | Historical cost concept | [3 marks] |
| (iv) | Reliability | [3 marks] |
- (b) Discuss any five users of financial statements. [10 marks]
- (c) Explain the characteristics of quality accounting information [5 marks]

QUESTION TWO

John is a merchant operating in Mombasa. His trial balance for the year ended 31/12/2013 is as follows

	Dr	Cr
motor vehicles	4,000,000	
Furniture and fittings	3,000,000	
Stock (1/1/03	2,000,000	
Sales		30,000,000
Purchases	20,000,000	
Return inwards	2,000,000	
Return outwards		1,000,000
Discount allowed	3,000,000	
Discount received		1,000,000
Debtors	8,000,000	
Creditors		4,000,000
Bad debts	1,000,000	
Provision for bad and doubtful debts		500,000
Motor vehicle expenses	1,00,00	
Rent	500,000	
Salaries and wages	1,000,000	
Electricity and water	1,500,000	
Telephone	300,000	
Carriage inwards	200,000	
Carriage outwards	300,000	
Drawings	3,000,000	
Capital	_____	14,300,000
	50,800,000	50,800,000
	=====	=====

Additional information

- (a) Stock at 31/12/2013 amount to sh 3,000,000
- (b) Rent paid in advance amount to 100,000
- (c) Salaries and wages prepaid was sh.200,000
- (d) Depreciation is provided on motor vehicles and fixtures at 20% and 10% respectively on cost

Required:

John trading, profit and loss account for the year ended 31/12/2003. [12 marks]
 Balance sheet as at that date. [8 marks]

QUESTION THREE

(a) Discuss the benefits of maintaining control accounts. [5 marks]
 (b) The following information has been extracted from the books of Kimani traders limited for the month of April 2002.

Balance as at 1 April 2002		sh
Sales ledger	Debit balances	838,000
	Credit balances	184,000
Purchase ledger	Debit balances	196,000
	Credit balances	598,000
Transactions during the month		
Sales on credit		8,784,000
Purchases on credit		7,849,000
Return inwards		248,000
Return outwards		179,000
Cheques received from trade debtors		2,968,000
Cheques paid to trade creditors		4,674,000
Cash paid to trade creditors		1,393,000
Bad debts written off		139,000
Discounts allowed to trade debtors		1,621,000
Discounts received from trade creditors		231,000
Credit sales offset against credit purchases		356,000
Credit purchase of a motor vehicles posted in the purchase ledger		598,000
Dishonored cheques from trade debtors		193,000
Cash received to replace dishonored cheques from trade debtors		106,000
An invoice to trade debts of sh 174,000 posted as balances at 30 April 2002		147,000
Purchases ledger debit balances		177,000

Required: Sales ledger and purchase ledger control accounts for the year ended 30 April 2002. [15 marks]

QUESTION FOUR

Machani William started business on 1st September 2017 at NdaganiChuka market. The following are the transactions done during the month.

1st Brought in capital sh. 2,500, 000 out of which he deposited sh. 2000,000 into business bank account.

3rd purchase of goods on credit from Kehash 180,000

4th purchase of goods on cash from Mwangororo sh. 200,000 and by cheque from Akamash. 100,000

6th purchased motor vehicle by cheque from Mutuash 1, 200,000

9th sale of goods for cash sh. 122,000 and to Mohamed sh. 170,000 paid by cheque

12th sale of goods on credit to pangangash 89,000

18th purchases of goods from Mary credit sh. 190,000

21st payment to Keha in cash sh. 177,000 for full settlement of debt.

24th received cheque from pangangash 60,000

26th paid wages & salaries sh 205, 000 by cheque

29th withdrew from bank for business use sh 40,000

30th took from cash till sh 30,000 for payment of school fees for the son.

Required:

(a) Two column cash book. [7 marks]

(b) Other respective ledger accounts [9 marks]

(c) Trial balance [4 marks]

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