

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: WEDNESDAY 07/07/2021****2.30 P.M. – 4.30 P.M.****INSTRUCTIONS:****Answer questions ONE and any other TWO****QUESTION ONE**

- (a) Explain the classification of assets (4 marks)
- (b) Describe three objectives of Accounting (6 marks)
- (c) The following is the trial balance of Transit Enterprises as at 31 March 2008

	Kshs.	Kshs.
Capital		42,000
Leasehold properties, at cost	75,000	
Motor vans, at cost (used for distribution)	2,500	
Provision for depreciation on motor vans to 31 March 2007		1,000
Administration expenses	7,650	
Distribution expenses	10,000	
Stock, 31 March 2007	12,000	
Purchases	138,750	
Sales		206,500
Wages (administrative)	25,000	
Rents receivable		3,600
Investments at cost	6,750	
Investment income		340
7% Debentures		15,000
Debenture interest	1,050	

Bank interest	162	
Bank overdraft		730
Debtors and creditors	31,000	24,100
Rent expenses	1,260	
Profit and loss account, 31 March 2007		<u>17,852</u>
	<u>311,122</u>	<u>311,122</u>

You ascertain the following:

- (i) Depreciation has been, and is to be, provided at the rate of 20% per annum on cost.
- (ii) The owner had taken goods worth Kshs. 8,750 for personal use.
- (iii) Accrued rent amounted to Kshs. 240
- (iv) Stock at the lower of cost or net realization value on 31 March 2008 is Ksh. 16,700.

Required: A company statement of comprehensive income (12 marks)

A company statement of financial position (8 marks)

QUESTION TWO

(a) Define unadjusted trial balance and explain five end of year adjustments. (6 marks)

(b) The following transaction relate to Salim traders for the month of December, 2019.

Dec 1: started a business worth Shs. 80,000 in cash and 185, 000 in bank

Dec 2: bought goods for resale Shs. 8,000 paying by cash.

Dec 3: bought goods on credit from Mwangi enterprises for Shs 37,000

Dec 5: Sold goods on credit worth Shs 16,700 to Koech

Dec 6: sold goods on cash for Shs 12,000

Dec 7: Koech returned goods worth shs. 6,000

Required:

(i) Prepare ledger accounts

(ii) Extract a trial balance as of 7th December, 2019 (14 marks)

QUESTION THREE

ABC traders had the following extracts from its final accounts, use them to answer questions that follow.

Current asset

Cash in hand	500,000
Cash at bank	450,000
Debtors	300,000
Stock	150,000

Current liabilities

Creditors	230,000
Tax	215,000
Overdraft	920,000
Calculate	

- (a) i) Debtors turn over ratio (2 marks)
- ii) Creditors turn over ratio (2 marks)
- iii) Quick ratio (2 marks)
- iv) Current ratio (2 marks)
- (b) Give an interpretation of each of the ratios above (4 marks)
- (c) Explain four limitations of ratio analysis. (8 marks)

QUESTION FOUR

- (a) The control accounts of Wazup for the month of September 2009 are in balance and incorporate the following totals:

	Kshs.
Sales ledger:	
Balances at 1 st September 2009: Debit	396,430
Credit	190
Sales	164,194
Cash received from debtors	158,268
Discounts allowed	2,160
Sales returns inwards	490
Credit balances at 30 September 2009	375

Although the control accounts agree with the underlying ledgers, a number of errors have been found, and there are also several adjustments to be made. These errors and adjustments are detailed below:

1. Four sales invoices totaling Kshs. 1,386 have been omitted from the records.
2. A contra settlement offsetting a balance of Ksh. 870 due to a supplier against the sales ledger account for the same company is to be made.
3. Bad debts totaling Ksh.1,360 are to be written off.

Required:

Prepare the sales ledger control accounts as they should appear after allowing, where necessary, for the errors and adjustments listed. (10 marks)

(b) The following information is given from the books of Waloga Enterprises

2008:

- March 1 Balances brought forward: Cash Kshs. 2,300; Bank Kshs 47,560
- “ 2 The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton Kshs. 1,400; E Taylor Kshs. 2,200; R Harris Ksh. 8,000.
- “ 4 Paid rent by cheque Kshs. 1,200.
- “ 6 J Cotton lent us Kshs.1,000 paying by cheque
- “ 8 We paid the following accounts by cheque in each case deducting a 2½ percent cash discount: N Black Kshs. 3,600; P Towers Kshs.4, 800; C Rowse kshs.3,000.
- “ 10 Paid motor expenses in cash Ksh.440
- “ 12 H. Hankins pays his account of Kshs.770, by cheque Kshs.740, deducting Kshs.30 cash discount.

Required: A three column cash book. (10 marks)

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