

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
RESIT/SPECIAL EXAMINATION**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
BUST 121: FUNDAMENTALS OF FINANCIAL ACCOUNTING**

STREAMS:

TIME: 2 HOURS

DAY/DATE: FRIDAY 13/08/2021

8.30 A.M – 10.30 A.M.

INSTRUCTIONS:

- Answer Question One and any Other Two

Question One

- a) Clearly describe any 2 branches of accounting (4 marks)
- b) Describe any 4 users of accounting information prepared by an organisation (8 marks)
- c) Using examples, differentiate between a credit note and a debit note (4 marks)
- d) The following balances were extracted from the books of Daniel, a sole trader on 31/8/2020

	Sh.	Sh.
Capital		250000
Building	85000	
Motor vehicle	55000	
Plant and machinery	60000	
Office furniture	35000	
Salaries and wages	8500	
Insurance	6000	
5year loan		122000
Office expenses	41250	
Rent	43620	
Discount received		1850
Discount allowed	1300	
Purchases	104080	

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Sales		125000
Returns inwards	3680	
Returns outwards		2580
Drawings	15000	
Stock (1/09/2019)	18000	
Debtors	63,000	
Creditors		38000
	539430	539430

Additional information:

- i). Stock on 31/8/2020 was valued at Sh.6500
- ii). Office expenses owing on 31/8/2020 amounted to sh 800
- iii). Rent prepaid on 31/8/2020 amounted to sh 1500

Required:

- a. Income statement for the year ended 30 August 2020 (7 marks)
- b. Statement of financial position as at 30 August 2020 (7 marks)

Question Two

- a) Outline the objectives of accounting (4 marks)
- b) The following information was obtained from the books of Bazenga Company limited

Purchases ledger balance on 1 st Jan 2017	28,574
Sales ledger balance on 1 st Jan 2017	51,744
Credit Purchases	172,000
Cash Purchases	252,000
Credit sales	250,365
Cash sales	123,000
Return outwards	56,000
Return inwards	8,550
Cheques paid to suppliers	186,000
Cash purchases	115,000
Cash sales	202,000
Cheques and cash received from customers	120,900
Discount allowed	3,220
Discount received	3,000
Set off	1,200
Bad debts written off	2,630
Provision for bad and doubtful debts	1,500

- Prepare a sales ledger control account (5 marks)
- Prepare a purchases ledger control account (5 marks)

c) Write up a three column cash book from the following details (6 marks)

2020

5/8 Balances b/d cash sh 250,000, Bank sh 560,000

15/8 Bought Office equipment by cheque sh 12000

18/8 Cash purchases sh 2100 from David, sh 6000 from Peris and sh 5100 from Angelica after deducting a 6 % discount

24/8 Bought goods from Raymond of sh 2500

26/8 Received a cheque on account of sh 20000 and a discount of 8% on account was given

28/8 Transferred sh 6500 from the office to the bank

29/8 Withdrew sh 10000 from the bank for personal use

QUESTION THREE

a) Explain four types of errors which are not revealed by a trial balance. (8 marks)

b) The trial balance for Polite limited for the year ended 30 October 2018 had failed to agree. The debit totals exceeded the credit totals by sh.250,000. He therefore opened a suspense account where he recorded the difference and proceeded to prepare the final accounts.

On investigation by the internal auditor, the following errors were discovered;

1. The electricity account had been overcast by Sh. 185,000.
2. Purchases day book had been over cast by Sh.145,000.
3. Purchases of sh. 180,000 from Adam had been credited in error to Madam's account.
4. Rent received account had been under cast by sh. 80,000
5. A bank receipt of Sh.25,000 had been entered in the cash book sh 52,000.

Required:

i) Journal entries to correct the above errors. (8 marks)

ii) Suspense account duly balanced. (4 marks)

QUESTION FOUR

a)Clearly explain the following accounting Concepts and Principles (6 marks)

Monetary Assumption

Historical Cost Principle

Going concern Concept

b)The balance in the cash book of Wira as at 31/5/2009 was sh 120,000. On the same date the balance as per the bank statement was sh 137,500. On examining the bank statement and the cash book, the following differences were observed;

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- i). Cheques totaling to sh 100,000 had been paid into the bank on 31/5/2009 but were not credited by the bank until 5/6/2009
- ii). The bank charged amounting to sh 4,500 were not recorded in the cash book
- iii). A standing order to Water company of sh 3,000 had been effected by the bank but not entered in the cash book
- iv). Interest income amounting to sh 65,000 had been credited to the bank account but not entered in the cash book
- v). Cheques totaling to sh 60,000 paid to a supplier had not been presented to the bank

Required;

Adjusted Cash book

(8 marks)

Bank Reconciliation Statement

(6 marks)
