

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF CERTIFICATE IN BUSINESS  
MANAGEMENT**

**CIBM 00131: PRINCIPLES OF ACCOUNTING**

**STREAMS: CPLM, CIBM**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 04/12/2018**

**8.30 A.M. – 10.30 A.M.**

**INSTRUCTIONS:**

- **Answer question one and any other two questions**

**QUESTION ONE**

- (a) Define the term accounting, stating the various branches in accounting. (8 marks)
- (b) Explain the need for a conceptual framework of accounting. (6 marks)
- (c) Explain the following accounting principles
- (i) Historical cost principle (2 marks)
  - (ii) Matching principle (2 marks)
  - (iii) Objectivity principle (2 marks)
- (d) On 1<sup>st</sup> October 2016, Chuka traders had Ksh. 75,000 in hand and Kshs 270,000 at bank. During the month, the following transactions took place

October 2: cash sales directly banked Kshs. 55,260.

October 3: Bought stationery in cash Ksh, 24,500

October 8: Paid Wafula a creditor Ksh. 114,000 by cheque in full settlement of his account after deducting 6% cash discount.

October 15: Paid salaries Kshs. 54,000.

October 16: Received a cheque from Kwetu enterprises of Kshs 78,800 after allowing a cash discount of Ksh. 12,000

October 17: Received a cheque from Kimathi Kshs. 23,000.

October 25: Withdrew Kshs. 70,000 from the bank for office use.

October 28: Anyango a debtor paid her account of Kshs. 95,000 by cheque less Ksh 21,000 cash discount

October 30: Deposited all the cash into the bank except Kshs. 10,000

**Required:**

Prepare a three column cashbook and balance it off.

(10 marks)

**QUESTION TWO**

The following information was extracted from the books of Ziwa Traders on 31<sup>st</sup> December 2017.

	Kshs
Premises	180,000
Stock	40,000
Debtors	30,000
Bank	7,000
Capital	197,000
Creditors	60,000

The transactions for the month of June 2017 were as follows:

June 2: Bought goods on credit Ksh. 50,000

June 4: Invested additional capital by depositing Ksh. 45,000 into the business bank account.

June 8: Paid Ksh. 10,000 to a creditor by cheque

June 17: Received Ksh. 9000 from a debtor in cash.

June 25: Deposited Ksh. 6000 into business bank account from cash till.

June 30: Sold goods on credit for Ksh. 36,000

June 30: paid electricity expense Ksh. 2,500 in cash

Required:

Record above transactions in the relevant ledger accounts and balance them off.

(20 marks)

**QUESTION THREE**

The information below relates to daytime express transactions during the month of November 2016.

- (1) 1<sup>st</sup> Nov. started the business by depositing Sh. 80,000 in the company bank account

- (2) 3<sup>rd</sup> Nov. purchased land for Sh. 52,000 paying by cheque
- (3) 5<sup>th</sup> Nov. purchased a building for Sh. 56,000 paying Sh. 6,000 by cheque and issuing notes payable for the balance.
- (4) 17<sup>th</sup> Nov. purchased tools and equipment on credit for Sh. 13,800
- (5) 20<sup>th</sup> Nov. sold some of the tools at a price of Sh. 1800 on credit
- (6) 25<sup>th</sup> Nov. received a cheque of Sh. 600 in partial collection of accounts receivable of tools and equipment
- (7) 30<sup>th</sup> Nov. paid a cheque of Sh. 6,800 in partial payment of accounts payable.

**Required**

- (i) Journal entries for the above transactions and post them to their relevant ledger accounts. (12 marks)
- (ii) Balance sheet. (8 marks)

**QUESTION FOUR**

- (a) Explain the following elements as used in accounting
    - (i) Assets (2 marks)
    - (ii) Liabilities (2 marks)
    - (iii) Expenses (2 marks)
    - (iv) Revenues (2 marks)
  - (b) Explain the qualitative characteristics of accounting. (6 marks)
  - (c) State and explain any three errors not revealed by a trial balance. (6 marks)
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