

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT ,DIPLOMA IN PROCUREMENT & LOGISTICS MANAGEMENT AND DIPLOMA IN ACCOUNTANCY

DIAC 0114: INTERMEDIATE ACCOUNTING I

STREAMS:

TIME: 2 HOURS

DAY/DATE: THURSDAY 13/12/2018

8.30 A.M – 10 .30 A.M

INSTRUCTIONS

- **There are four questions in this paper. Answer question one and any of the two**
- **Show all necessary workings**
- **Be clear, neat and orderly**
- **Clarity and orderliness will receive extra marks**

1. (a) Write short notes on the following terms as used in financial accounting so as to explain their importance;
- | | |
|--|-----------|
| (i) Going concern concept | [2 marks] |
| (ii) Dual concept | [2 marks] |
| (iii) Prudence or conservative concept | [2 marks] |
| (iv) Substance over-form | [2 marks] |
| (v) Monetary concept | [2 marks] |
- (b) Identify and briefly explain any four characteristics that depicts a quality financial statements of an entity. [4 marks]
- (c) Write short notes on the;
- | | |
|-------------------------------------|-----------|
| (i) Accounting concepts/assumptions | [2 marks] |
| (ii) accounting bases | [2 marks] |
| (iii) Accounting policies | [2 marks] |
- (d) By use of examples, differentiate the following terms as used in accounting ;

- (i) An asset and liability [2 marks]
- (ii) Balance sheet and income statement [2 marks]
- (iii) Capital expenditure and revenue expenditures [2 marks]
- (iv) Depreciation and amortization [2 marks]

2. Mr. Matendechere has given you the following information concerning his cash transactions for the month of April 2018.

April 1: started business by depositing ksh 250,000 in the bank account

April 2; Bought goods by paying a cheque of ksh 38,000

April 3: Bought goods from H.Marshall worth ksh 50,000

April 4: Sold goods to Jomba& co. ksh 26,000

April 5: Cashed a cheque for office use for ksh 20,000

April 6: Bought goods from YZ & co. ksh 74,000

April 7: Sold goods to Manyalla&co. ksh 37,000

April 8: Paid expenses in cash for ksh 3,000

April 10: Sold goods for cash for ksh 25,000

April 11: Paid H.Marshall by cheque ksh 47,000 in full settlement of the account

April 12: Received from Jomba& co. a cheque of the amount due less 5% discount

April 13: Bought furniture for ksh 24,000

April 17: paid expenses from cash for ksh 2,500

April 20: Paid YZ & co. ksh 51,000 by cheque

April 22: received ksh 14,000 in cash from manyalla& co less 3% discount

April 28: Paid wages in cash for ksh 10,000

April 30: Banked cash keeping a balance of ksh 5,000 in the safe.

Required :

Prepare;

- (a) Three column cash book [7 marks]
- (b) Ledgers [8 marks]
- (c) A trial balance [5 marks]

3. (a) With the aid of example, highlight and explain four transactions that may cause the bank statement balances vary with cash book balances. [4 marks]
- (b) Differentiate between the following terms:
- (i) Error of commission and error of principle [2 marks]
- (ii) Un presented cheques and un credited cheques. [2 marks]
- (b) Mr. Kamau's cash book showed an overdraft of ksh 10,480 on December 31, 2016. On the same date ,his bank account statement from stanbic bank showed a credit balance of ksh 3,800.

Upon investigation, the following differences were later noted:

- (i) Cheques totaling ksh 3,060 returned by his bank as 'refer to Drawer had not been entered in the cah book.
- (ii) Ledger fee, ksh 1,800 and cheque book charges of ksh 249 debited by the bank have not been entered in the cash book.
- (iii) Cheques totaling to ksh 26,100 received from debtors and lodged on 31st December 2016 were credited by the bank on 4th January 2017.
- (iv) Payments by cheques amounting to ksh 49,380 to creditors made during December 2016.
- (v) Dividends amounting to ksh 2,100 were received and credited by the bank but no entry was made in the cash book.
- (vi) Three payments of ksh 2,000 each made by the bank as per the order to his land lord have not been recorded in cash book.

Required :

Prepare ;

- (a) Adjusted cash book [6 marks]
- (b) Bank reconciliation statement [6 marks]
4. (a) Define accounting according to American accounting association (AAA) . [2 marks]
- (b) Differentiate between the following terms as used in accounting;
- (i) Factoring and pledging [2 marks]
- (ii) Provision for bad debts and bad debt written off. [2 marks]

(c) Write short notes on the following methods of stock valuation

- (i) First In First Out (FIFO) [2 marks]
- (ii) Last In First Out (LIFO) [2 marks]
- (iii) Weighted Average Method [2 marks]

(d) Briefly explain the meaning of the following terms as used in correction of errors.

- (i) Errors of omission [2 marks]
- (ii) Error of total reversal [2 marks]
- (iii) Errors in original entry [2 marks]

(e) Explain how the following accounting documents are used in accounting processes.

- (i) Debit notes [1 mark]
 - (ii) Credit notes [1 mark]
-