

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF CERTIFICATE IN PROCUREMENT AND LOGISTICS MANAGEMENT AND CERTIFICATE IN BUSINESS MANAGEMENT

CPLM 00141: PRINCIPLES OF ACCOUNTING

STREAMS: CPLM, CIBM

TIME: 2 HOURS

DAY/DATE: FRIDAY 09/08/2019

8.30 AM – 10.30 AM

INSTRUCTIONS:

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

- (a) Briefly discuss any two types of errors that do not affect the trial balance. [4 marks]
- (b) State and explain any three branches of accounting. [6 marks]
- (c) The following trial balance was extracted from the books of Rhino traders as at 1st January 2018.

	Shs	Shs
Capital		3,165,620
Purchases	923,600	
Sales		1,968,160
Purchase returns		5,600
Sales returns	16,160	
Discount allowed	18,200	
Discount received		14,080
Wages and salaries	622,000	
Rates	49,000	
Insurance	35,600	
General expenses	81,200	
Trade receivables	368,000	
Trade payables		322,400
Bank overdraft		80,400

Stock 1 st Jan 2018	122,000	
Land and building at cost	1,700,000	
Plant and machinery at cost	1,230,000	
Motor vehicle at cost	562,000	
Drawings	208,200	
Cash in hand	40,200	
Provision for depreciation: Motor vehicle		112,400
Plant machinery		307,500
	<u>5,976,160</u>	<u>5,976,160</u>

Additional Information:

1. Stock in trade on 31st December 2018 amounted to sh. 148,400
2. Depreciation is to be provided on the motor vehicle and plant and machinery at the rates of 20% and 25% respectively on straight line method.
3. Outstanding wages and salaries as at 31st December 2018 amounted to sh. 24,800

Required:

- (a) Statement of comprehensive income for the year ended 31st December 2018. [12 marks]
- (b) Statement of financial position as at 31st December 2018. [8 marks]

QUESTION TWO

- (a) Discuss four qualitative characteristics of accounting information. [8 marks]
- (b) Highlight any two basic elements of a statement of financial position. [2 marks]
- (c) On 1st September 2018, Mwashu traders had ksh 55000 in hand and ksh 250,000 at bank during the month the following transactions took place

September 2: Cash sales directly banked ksh 35,260

September 3: Bought office cartridges in cash ksh 4,500

September 8: Paid Wangila a creditor ksh 94,000 by cheque in full settlement of his account after deducting 6% cash discount.

September 15: Paid salaries ksh 34,000 cash and received a cheque from Wetu of sh 58,800 after allowing him a cash discount of ksh 1,200

September 17: Received a cheque from Kimathi ksh 3000

September 25: withdrew ksh. 50,000 from the bank for office use

September 28: Anyango a debtor paid her account of ksh 75,000 by cheque less 1,000 cash discount.

September 30: Deposited all the cash into the bank except ksh. 13,700

Required:

Prepare a three-column cash book and balance it off as at 30th September 2018.
[10 marks]

QUESTION THREE

- (a) Discuss any five users of accounting information clearly describing their specific needs for accounting information. [10 marks]
- (b) The following are the transactions of Muteti traders during the month of May 2019

May 2: Muteti started business with sh. 80,000 cash
 May 7: Bought stationery for sh 40 and paid in cash
 May 18: Opened a bank account and deposited from the cash till
 May 24: Bought motor vehicle worth sh 250,000 from Weru motors on credit
 May 30: Bought postage stamps for sh 60 in cash

Required:

Pass the above transactions in journals

QUESTION FOUR

- (a) Discuss any four fundamental principles and assumptions as applied in accounting. [8 marks]
- (b) The following information relates to the transactions of Kisima traders for the year ended 31st January 2017

Jan 1 st	Started a business with cash sh. 650,000
Jan 2 nd	Paid cash for stationery sh. 5,000
Jan 4 th	Purchased goods for cash sh. 140,000
Jan 5 th	Sold goods worth sh. 800,000 by cheque
Jan 8 th	Purchased goods from Muna Enterprises, sh. 111,000 on credit
Sep 7 th	Purchased land sh. 200,000 by cheque
Nov 12 th	Bought motor vehicle sh.200,000 by cheque
Nov 18 th	Paid salaries sh. 70,000 by cheque

Required:

- (i) Pass the entries in respective ledger accounts and balance them off. [8 marks]
- (ii) Extract the trial balance [4 marks]
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