

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA, EMBU & THARAKA

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

CPLM 00141: PRINCIPLES OF ACCOUNTING

STREAMS: CERT (CPM)

TIME: 2 HOURS

DAY/DATE: TUESDAY 03/12/2019

11.30 AM – 1.30 PM

INSTRUCTIONS:

- Answer Question One and any other Two Questions
- Do not write on the question paper

QUESTION ONE (30 MARKS)

- (a) Discuss any five users of accounting information clearly describing their specific needs.
 [10 marks]
- (b) The following trial balance was extracted from the books of Dafrao Traders, a sole trader as at 30th September 2019.

	Dr Sh.	Cr Sh.
Capital		55237
Plant & Machinery	3000	
Fixtures and fittings	2000	
Purchases	11500	
Sales		84102
Trade receivables	2100	
Trade payables		1020
Provision for depreciation:		
Plant & machinery		500
Fixtures & fittings		200
Salaries	2624	

Electricity	105	
Carriage inwards	150	
Carriage outwards	70	
Opening inventory	1800	
Sales return	102	
Purchases return		140
Discount allowed	800	
Discount received		1200
Cash in hand	48000	
Cash at bank	71000	
Bad debts	270	
Drawings		1400
Allowance for doubtful debts		42
Office general expenses	320	
	<u>143841</u>	<u>143841</u>

Additional Information:

- (i) The closing inventory as at 30th September 2019 was valued at sh. 2160
- (ii) Allowance for doubtful debts is to be adjusted to 3% of trade receivables.
- (iii) Office general expenses had been prepaid by sh. 20 as at the year end.
- (iv) Depreciation is to be provided for plant & machinery and fixtures & fittings at 2% and 5% respectively on straight line basis.

Required:

- (a) Statement of income for the period ended 30th September 2019. [12 marks]
- (b) Statement of financial position as at 30th September 2019. [8 marks]

QUESTION TWO (20 MARKS)

- (a) Explain the following terms as used in accounting
 - (i) Going concern concept [2 marks]
 - (ii) Accrual concept [2 marks]
 - (iii) Business entity concept [2 marks]
- (b) Highlight any two uses of a general journal. [2 marks]
- (c) On 1st January 2019 Buko traders had sh. 27500 in hand and sh. 125000 at bank during the month the following transactions took place:

Jan 1: Bought office furniture sh. 2000 in cash

Jan 2: sold goods sh. 17630 by cheque

Jan 6: Paid salaries sh. 2800 in cash and sh. 12000 by cheque

Jan 8: Paid Reche a creditor sh. 9400 by cheque in full settlement of his account after deducting 6% discount.

- Jan 12: Achieng a debtor paid her account of sh. 7500 by cheque less sh. 1000 cash discount
Jan 14: Received a cheque of sh. 74000 from Pitam traders
Jan 20: Bought goods worth sh. 2400 in cash and sh. 7200 on credit
Jan 24: Paid a creditor sh. 10,000 by cheque
Jan 26: Sold goods for sh. 15200 in cash
Jan 28: withdrew sh. 2500 from bank for office use
Jan 29: Paid electricity bill sh. 1200 by cheque
Jan 31: Banked all the cash into the business bank account except sh. 7200

Required:

A fully balanced three column cashbook for the month of January 2019. [12 marks]

QUESTION THREE (20 MARKS)

- (a) Explain any five types of errors that would not be revealed by a trial balance. [10 marks]
- (b) Explain any five users of accounting information. [5 marks]
- (c) Differentiate between nominal accounts and real account, giving an example in each case. [5 marks]

QUESTION FOUR (20 MARKS)

- (a) Discuss two primary qualitative characteristics of accounting information relating to content. [4 marks]
- (b) The following information relates to the transactions of Bora traders for the month of June 2019.

- May 1: Started a business with cash sh.92000
May 5: Paid electricity in cash sh. 13000
May 8: Purchased goods for sh. 30000 on credit
May 15: Bought a motor vehicle at sh. 50000 by cheque
May 20: Disposed office furniture at a price of sh. 12500 in cash.
May 25: Bought land sh. 14000 by cheque

Required:

- (i) Journalize the above transactions [5 marks]
- (ii) Post to ledger accounts. [10 marks]
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