

DIAC 0111

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA, EMBU & THARAKA CAMPUSES

FIRST YEAR EXAMINATION FOR THE AWARD OF DIPLOMA IN PROCUREMENT  
AND LOGISTICS MANAGEMENT, DIPLOMA IN BUSINESS MANAGEMENT AND  
DIPLOMA IN ACCOUNTANCY.

DIAC 0111: PRINCIPLES OF ACCOUNTING I

STREAMS: DIAC, DPLM, DIBM Y1S1

TIME: 2 HOURS

DAY/DATE: THURSDAY 8/08/2019

11.30 A.M - 1.30 P.M.

**INSTRUCTIONS:**

- Answer Question ONE and any other TWO Questions
- Do not write anything on the question paper

**QUESTION ONE**

- (a) Discuss any five users of accounting information clearly describing their specific needs for accounting information. [10 Marks]
- (b) The following trial balance was extracted from the books of Mvua, a sole trader as at 1<sup>st</sup> January, 2018.

Item	Dr	Cr
Capital		120,000
Premises	127,960	
Motor vehicle	18,000	
Fixture and fittings	13,000	
Accounts receivables (Debtors)	10,000	
Provision for bad debts		1,000
Accounts payable (Creditors)		14,000
Cash at bank	44,000	
Inventory (stock)	38,000	
Carriage outwards	7,200	
Carriage inward	1,400	
Return inwards	5,000	
Return outwards		10,000

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Purchases	42,000	
Sales		167,500
Salaries	1,400	
Rent	1,000	
Insurance	800	
Lighting and heating	450	
Office expenses	740	
Motor expenses	860	
Travelling expenses	120	
General expenses	<u>570</u>	
	<b><u>312,500</u></b>	<b><u>312,500</u></b>

**Additional information:**

- (i) The closing inventory as at 31<sup>st</sup> December 2018 was valued at Kshs.30,000
- (ii) Outstanding salaries as at the year-end amounted to Kshs.600
- (iii) Provision for depreciation is to be provided on the motor vehicle and fixtures and fittings at the rates of 10% and 20% p.a. respectively on straight line method.
- (iv) Provision for bad and doubtful debts was to be set at 15% of the accounts receivable

**Required:**

- (a) Income statement for the year ended 31<sup>st</sup> December 2018 [12 Marks]
- (b) Balance sheet as a 31<sup>st</sup> December 2018 [8 Marks]

**QUESTION TWO**

- (a) Discuss four qualitative characteristics of accounting information. [8 Marks]
- (b) The following is summary transactions from ledger accounts of Ridhaa enterprises for the year ended 31<sup>st</sup> December 2018.

**Balances on 1 January 2018**

Sales ledger, Credit	26,550
Debit	4,550
Purchases ledger; Credit	43,450
Debit	6,450

**Transactions during the year:**

Sales: - Cash	344,890
- Credit	568,187
Purchases: - Cash	14,440
- Credit	496,600
Total receipts from credit customers	600,570
Total payments to credit suppliers	503,970
Discounts allowed (All to credit customers)	5,520
Discounts received (All from credit suppliers)	3,510
Refund given to cash customers	5,070

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Balance in the sales ledger set off against balance in the purchases ledger	70
Bad debts written off	780
Increase in the provision for bad debts	90
Credit notes issued to credit customers (Returns inwards)	4,140
Credit notes received from credit suppliers (Return outward)	1,480

### Balances as at 31<sup>st</sup> December 2018:

Credit balance in the sales ledger	11,080
Debit balance in the purchases ledger	10,200

### Required:

- (a) Sales ledger and purchases ledger control accounts. [12 Marks]

### QUESTION THREE

- (a) Discuss five types of errors that may not be revealed by a trial balance. [10 Marks]

- (b) The trial balance of Radi traders failed to balance on 30<sup>th</sup> December 2018. It was observed that the total debits exceeded the total credits by Kshs.95,200. Investigations revealed the following errors;

- (i) Sales had been overcast by Kshs.6,000
- (ii) Return outwards account had not been credited with an amount of Kshs.24,582
- (iii) A cheque of Kshs.60,000 received from a debtor had not been entered in the debtor's account.
- (iv) Cash drawing of Kshs.928 by the proprietor had been recorded in the cash book only
- (v) Cash of Kshs.8,800 received from a debtor had been debited to his account

### Required:

- (i) Journal entries to correct the errors. [6 Marks]  
(ii) Suspense account [4 Marks]

### QUESTION FOUR

- (a) Explain the following principles and assumptions as used in accounting.
- (i) Objectivity principle [2 Marks]
  - (ii) Going concern concept [2 Marks]
  - (iii) Periodicity concept [2 Marks]
- (b) Discuss any two source documents used in accounting. [4 Marks]
- (c) Haji opened a general shop on 1<sup>st</sup> January 2016 with Kshs.112,000 cash and Kshs.100,000 into business bank account. He had the following transactions during the month.

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- Jan 3: Paid rent by cheque Kshs.67,200
- Jan4: Cash sales amounted to Kshs.82,000
- Jan 5: Withdrew Kshs.11,200 cash for personal use
- Jan 6: Deposited Kshs.56,000 into the bank account from the cash till
- Jan 8: Purchased goods on credit from Kaunda Kshs.12,800
- Jan 12: Sold goods to Mukaria Kshs.3,600 on credit
- Jan 14: Paid Tracey cash 8,000
- Jan 15: Sold goods in cash to Joshua Kshs.15,000allowing him 10% cash discount
- Jan 16: Paid Kaunda his amount less 15% cash discount
- Jan 20: Cash sales amounted to Kshs.64,100
- Jan 22: Withdrew from the bank Kshs.2,240 for office use
  
- Jan 28: Received a cheque of Kshs.4,000 having allowed the debtor Kshs.1,000 cash discount.

**Required**

- (a) A dully balanced three column cashbook for the month of January 2016. [10 Marks]
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