

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS
EXAMINATION FOR THE AWARD OF DEGREE IN BACHELOR OF COMMERCE,
BACHELOR OF COOPERATIVE MANAGEMENT, BACHELOR OF
ENTREPRENEURSHIP & BUSINESS MANAGEMENT AND BACHELOR OF
PURCHASING AND SUPPLIES

BCOM 111/BCOM 110: PRINCIPLES OF ACCOUNTING I

STREAMS: BCOM Y1S1

TIME: 2 HOURS

DAY/DATE: MONDAY 11/12/2017

8.30 A.M – 10.30 A.M

INSTRUCTIONS:

- **Answer question one and any other two questions**
- **Do not write anything on the question paper**

1. (a) Identify the users of accounting under the following headings and disclose their specific needs.

(i) Two internal users [4marks]

(ii) Two external users [4marks]

(b) The following balances were extracted from the books of Taratibu Bora a trader at Chuka town for the year ended 30th September 2017

Particulars	Dr (ksh)	Cr (ksh)
Capital		3,165,620
Purchases	923,600	
Sales		1,968,160
Purchases 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 debtors	368,000	
Trade creditors		322,400
Bank overdraft		80,400
Stock in trade (opening)	122,000	
Land & building at cost	1,700,000	
Plant & machinery at cost	1,230,000	
Motor vehicle at cost	562,000	
Drawings	208,200	
Provisions for depreciation	40,200	
Motor vehicle		112,400
Plant & machinery		307,500
	<u>5,976,160</u>	<u>5,976,160</u>
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Additional information on 30th September 2017.

1. Stock in trade amounted to ksh 148,400
2. Rates paid in advance for next year ksh 7,000
3. Outstanding electricity bill (which includes general expenses) amounted ksh 3,480.
4. Debtors include irrecoverable amount of ksh 5,600.
5. Five percent provisions for bad debts to be made on recoverable debtors.
6. Depreciation is to be provided on motor vehicle as well as plant and machinery at the rates of 20% and 25% respectively on reducing balance method.
7. Included in wages & salaries is ksh 62,000 paid to domestic workers at Taratibu home.
8. Outstanding wages and salaries amounted to ksh 24,800.

Required:

- (a) Income statement for the year ended 30th sept 2017. [12marks]
 (b) Statement of financial position as at 30th September 2017. [10marks]

2. Mrs Karwita Kawira started business at Ndagani market on 1st November 2017 and the following are the details for the month

Date Nov 2017	Particulars
1 st	She brought in capital ksh 1,200,000 out of which ksh 800,000 was deposited in business bank account and balance in business cash till.
2 nd	She purchased stock on credit from Tono ksh 80,000 and in cash from Arama ksh 40,000
3 rd	
	Purchased stock by cheque from Ouma ksh 74,000 and credit from Njoka ksh 62,000
6 th	Sold stock on credit to Chuka University ksh 210,000 and in cash ksh 102,000.
8 th	Purchased motor vehicle by cheque from Mutua ksh 660,000
11 th	Paid wages & salaries in cash 140,000
15 th	Received commission in cash ksh 100,000
17 th	Paid Njoka in cash ksh 60,000
19 th	Chuka University paid by cheque ksh 210,000
20 th	Withdrew from bank ksh 30,000 for home use.
30 th	Withdraw ksh 50,000 for business use.

Required :

- (a) A two column cash book at the end of the month of November 2017. [8marks]
 (b) Other respective ledger account. [12marks]

3. The following information was extracted from the financial records of Kenya tea supplies ltd as on 31st October 2017.

Opening stock	ksh 3,000,000
Sales for the year	ksh 28,000,000
Purchases for the year	ksh 14,000,000
Annual expenses	ksh 5,000,000

Financial position statement as at 31st October 2017.

Liabilities	Ksh '000'	Assets	Ksh '000'
Capital	14,000	Land & buildings	10,000
Profits	10,000	Motor vehicles	4,500
10% equity loan	4,000	Plant & machinery	6,000
		Debtors	3,000
Creditors	3,000	Cash at hand	2,000
Bank overdraft	1,000	Cash at bank	4,000
Accrued expenses	500	Pre- paid expenses	500
		Closing stock	2,500
	32,500		32,500
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Required :

- (a) Stock turnover ratio. [3marks]
- (b) Net profit ratio [2marks]
- (c) Gross profit ratio [2marks]
- (d) Return on capital employed ratio (ROCE) [2marks]
- (e) Return on total assets [2marks]
- (f) Current ratio. [3marks]
- (g) Quick ratio [1mark]
- (h) Comment on the liquidity status of the company. [5marks]

5. (a) Highlight the needs of preparing the control account in the business transactions records. [6marks]
- (b) Briefly explain the following accounting concepts;
- (i) Materiality concept [3marks]
 - (ii) Prudence concept [3marks]
 - (iii) Substance over form. [3marks]
- (c) Distinguish the following accounting terms;
- (i) Provisions for depreciation and depreciation. [3marks]
 - (ii) Real account and nominal account in double entry. [2marks]
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