

**CIBM 00131**

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**CHUKA, EMBU, IGEMBE & THARAKA**

**FIRST YEAR EXAMINATION FOR THE AWARD OF CERTIFICATE IN  
PROCUREMENT AND LOGISTICS MANAGEMENT & CERTIFICATE  
IN BUSINESS MANAGEMENT**

**CIBM 00131: PRINCIPLES OF ACCOUNTING**

**STREAMS: CERT. DIBM/DPLM**

**TIME: 2 HOURS**

**DAY/DATE: WEDNESDAY 06/12/2017**

**2.30 P.M. – 4.30 P.M.**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE**

- (a) Explain the term accounting and explain the features of accounting. [8 marks]
- (b) Explain the following accounting concepts
- (i) Going concerns assumption [2 marks]
  - (ii) Business entity assumption [2 marks]
  - (iii) Historical cost principle [2 marks]
  - (iv) Revenue recognition principle [2 marks]
  - (v) Materiality principle [2 marks]
- (c) Explain any four branches of accounting. [4 marks]
- (d) Explain the following primary qualities of accounting information that relates to content
- (i) Relevance [2 marks]
  - (ii) Reliability [2 marks]
- (e) Explain the following adjusting entries
- (i) Accrued expenses [2 marks]
  - (ii) Unearned revenues [2 marks]
  - (iii) Depreciation [2 marks]

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### QUESTION TWO

(a) The following trial balance of P. Boones relates to the period ended 30<sup>th</sup> Sep 2016.

	Dr.	Cr.
Stock 1 <sup>st</sup> Oct 2015	23680	
Carriage outwards	2000	
Carriage inwards	3100	
Returns inwards	2050	
Purchases	118740	
Sales		186000
Salaries & wages	38620	
Rent	3040	
Insurance	780	
Motor expenses	6640	
Office expenses	2160	
Lighting & heating expenses	1660	
General expenses	3140	
Premises	50000	
Motor vehicles	18000	
Fixtures & fittings	3500	
Debtors	38960	
Creditors		17310
Cash at bank	4820	
Drawings	12000	
Capital		126360
Return inwards	<u>          </u>	<u>3220</u>
	<u>332890</u>	<u>332890</u>

#### **Additional information:**

- (1) Stock as at 30<sup>th</sup> Sep 2016 amounts to 28460
- (2) Depreciation is to be charged at 10% on straight line method for both motor vehicles, and & fixtures & fittings.

#### **Required:**

- (i) Prepare the trading profit & loss account for the year ended 30<sup>th</sup> Sep 2016. [12 marks]
- (ii) Balance sheet as at the same date. [8 marks]

**QUESTION THREE**

- (a) The following transactions relate to a sole trader who commenced business on 1<sup>st</sup> Nov 2015.

1<sup>st</sup> Nov 2015 Michael deposited sh. 80 000 as capital to start a business

3<sup>rd</sup> Nov purchased land for sh. 52000 and paid by cheque.

5<sup>th</sup> Nov purchased a building for sh. 36000 paying 6000 by cheque and the rest on credit

17<sup>th</sup> Nov purchased equipment on credit for sh 40 000

18<sup>th</sup> Nov bought goods for sale for sh 60 000 on credit

19<sup>th</sup> Nov sold goods worth 20 000 on credit to debtor A

30<sup>th</sup> Nov received sh 10,000 from debtor A

30<sup>th</sup> Nov paid sh 20000 as partial payment to creditors for equipment

**Required:**

- (i) Journalizethe above transactions. [8 marks]  
(ii) Draw ledger accounts from above [8 marks]  
(iii) Draw a trial balance [4 marks]

**QUESTION FOUR**

- (a) Differentiate between nominal accounts ad real accounts giving examples. [4 marks]  
(b) Explain any four errors that do not affect the trial balance. [4 marks]  
(c) The following are transactions which took place in Kimathi’s business during the month of September 2016.

September 1 Cash in hand ksh. 5374 and a bank balance of ksh. 15490

September 3 cash sales of ksh. 6400

September 5<sup>th</sup> deposited ksh. 7000 into a bank account from the cash in hand

September 10<sup>th</sup> Paid Njeru (a creditor) ksh. 980 by cheque after allowing him a discount of sh. 20

September 15 Withdrew ksh. 3000 from the bank account for office use.

September 20 J. Omollo, a debtor settled his account of ksh. 2000 by cheque less 10% discount

September 30 Purchased goods by cheque ksh. 1500

**Required:**

Enter the above transactions in a three column cash book and balance it off.[12 marks]