

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF  
PROCUREMENT AND LOGISTICS MANAGEMENT**

**BPLM 171: PRINCIPLES OF ACCOUNTING**

**STREAMS: BPLM Y1S2**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 12/04/2018**

**8.30 A.M. – 10.30 A.M.**

---

**INSTRUCTIONS:**

- Answer question ONE and any other TWO questions.
- Show all your workings.
- Do not write on the question paper.

**QUESTION ONE**

- (a) (i) What is accounting? (2 marks)
- (ii) Highlight the users of accounting information and their specific needs. (8 marks)
- (b) Accounting is guided by a conceptual framework which allows for standards and practices built on the same foundation.
- (i) Explain the role and importance of the conceptual framework to the accountants. (5 marks)
- (ii) Explain the qualitative characteristics of accounting information. (5 marks)
- (c) Explain the following accounting principles.
- (i) Business Entity Assumption. (2 marks)
- (ii) Going concern assumption. (2 marks)
- (iii) Prudence concept. (2 marks)
- (iv) Substance over Form. (2 marks)

(v) Revenue recognition Principle.

(2 marks)

**QUESTION TWO**

(a) The following trial balance has been extracted from the ledger of Herbert Howell, a sole trader as at 31<sup>st</sup> May 2014

	Dr	Cr
Property	90,000	
Equipment	57,500	
Provision for depreciation-Property		12,500
Provision for depreciation-Equipment		32,500
Stock as at 1 <sup>st</sup> June 2013	27,400	
Purchases	259,600	
Sales		405,000
Discount allowed	3,370	
Discount Received		4,420
Wages and Salaries	52,360	
Bad Debts	1,720	
Loan Interest	1,560	
Carriage Outwards	5,310	
Operating Expenses	38,800	
Trade Debtors	46,200	
Trade Creditors		33,600
Provision for bad debts		280
Cash on Hand	151	
Bank Overdraft		14,500
Drawings	28,930	
Loan		12,000
Capital	<u>612,901</u>	<u>98,101</u>
		<u>612,901</u>

**Additional Information**

- (i) Stock as at the close of business was valued at 25,900
- (ii) Depreciation is to be provided on straight line method at 1% and 15% on property and equipment respectively.
- (iii) Wages and salaries accrued sh. 140 while other expenses prepaid is Sh 500.
- (iv) The provision for bad debts is to be adjusted to 0.5% of trade debtors

**Required**

- (i) Income statement for the year ended 31<sup>st</sup> May 2014. (12 marks)
- (ii) Balance sheet as at same date. (8 marks)

**QUESTION THREE**

- (a) Explain the advantages of maintaining control accounts. (6 marks)
- (b) The following balances were extracted from the books of Katee Ltd. For the month of April 2005.

	Sh. '000'
Debit balances (1 April 2005): Sales ledger	1,428,000
Purchase ledger	10,500
Credit balances (1 April 2005): Sales ledger	40,500
Purchases ledger	553,800
Discount received	142,500
Discount allowed	209,700
Purchase (including cash purchases of sh. 152,000)	1,334,000
Cash sales	618,000
Credit sales	2,068,200
Credit notes issued to customers for returned goods	75,000
Sales ledger debit balances off-set against purchases Ledger	36,900
Payment of creditors	1,159,200
Interest charged by creditors on overdue accounts	69,000
Receipt from customers	1,578,000
Bad debts written off	37,200
Customer's unpaid cheques	26,100
Interest charged to customers on overdue accounts	96,100
Debt collection expenses charged to debtors	10,800
Credit notes received charged to debtors	26,700
Balances as at 30 April 2005: Purchases ledger (debt)	14,400
Sales ledger (credit)	50,700

**Required:**

- (i) Sales ledger control account for the month ended 30 April 2005. (7 marks)
- (ii) Purchases ledger control account for the month ended 30 April 2005.(7 marks)

**QUESTION FOUR**

Tom who operates a retail shop commenced business on 1<sup>st</sup> April 2005.

- 1<sup>st</sup> April commenced business by depositing sh, 96,000 in the bank.
- 2<sup>nd</sup> April Paid rent deposit of sh 1000 by cheque.
- 4<sup>th</sup> April Bought fitting and paid for them by cheque sh 18,000
- 5<sup>th</sup> April Bought fitting on credit from Opiyo for sh 2100
- 6<sup>th</sup> April Bought goods on credit from John 21,300, Mary 17, 100 and Peter 38, 800
- 7<sup>th</sup> April Made cash sales of sh 960
- 8<sup>th</sup> April Sold goods on credit to Allan, 7,200, Grace 11,000 and Luke 17,500

9 <sup>th</sup> April	Paid in cash sh 500 for miscellaneous expenses
11 <sup>th</sup> April	Withdrew sh 600 from the bank for personal use
12 <sup>th</sup> April	Made cash sales of sh 2000
13 <sup>th</sup> April	Sold goods on credit to Rachel 25,600, Ruth 7, 450 and Frank 81, 300
14 <sup>th</sup> April	Allan returned goods with sh 550
15 <sup>th</sup> April	Tom paid sh 17, 000 into the business bank account from his private account
16 <sup>th</sup> April	Tom returned goods worth sh 1300 to Mary
18 <sup>th</sup> April	Bought fittings and paid in cash sh 680
20 <sup>th</sup> April	Received cheques from Allan less 10% and Peter less 15%
21 <sup>st</sup> April	Paid the following suppliers by cheque John less 10% and Mary less 10%
23 <sup>rd</sup> April	Paid rent amounting to sh 2300 by cheque
27 <sup>th</sup> April	Received cheque from Grace less 10%
28 <sup>th</sup> April	Paid Peter less 15% by cheque
29 <sup>th</sup> April	Paid wages amounting to sh 1, 100 by cash
30 <sup>th</sup> April	Withdrew cash from the bank amounting to 2, 330 for use in the business
30 <sup>th</sup> April	Bought goods on credit worth sh 22, 760 from John

**Required**

- (a) Prepare a three column cash book to record the above transactions. (10 marks)
  - (b) Explain errors that do not affect the trial balance. (5 marks)
  - (c) Explain the branches of accounting and their usefulness. (5 marks)
-