CHUKA UNIVERSITY

RESIT/ SPECIAL EXAMINATIONS

EXAMINATION FOR THE AWARD OF
BACHELOR OF

BUST 121: FUNDAMENTALS OF FINANCIAL ACCOUNTING

STREAMS: **TIME: 2 HOURS**

DAY/DATE: THURSDAY 26/07/2018   **2.30 PM – 4.30 PM**

INSTRUCTIONS:

Answer Questions One and any other Two

1. (a)   Discuss any three users of accounting information.   [10 marks]

    (b)   State the following concepts and principles of accounting

          (i)   Historical cost principle   [4 marks]
          (ii)   Going concern assumption   [4 marks]

    (c)   Outline four types of errors that do not affect the trial balance.   [8 marks]

    (d)   Explain any four qualities of good accounting information.   [4 marks]

Question Two

The following trial balance was extracted from the books of Angel, a sole trader in Chuka Town as at 31.12.2010

	Sh	Sh
Capital 1.1.10		3,165,620
Purchase	923,600	
Sales		1,968,160
Purchases return		5,600
Sales return	16,160	
Discount allowed	18,200	
Discount received		14,080
Wages and salaries	622,000	

Rent	49,000	
Insurance	35,600	
General expenses	81,200	
Trade debtors	368,000	
Trade creditors		322,400
Bank overdraft		80,400
Stock 1.1.10	122,000	
Land and building at cost	1,700,000	
Plant and machinery	1,230,000	
Motor vehicle	562,000	
Drawings	208,200	
Cash in hand	40,200	
Provision for depreciation, motor vehicle		112,400
Plant and machinery		307,500
	5,976,160	5,976,160

Additional information

1. Stock in trade on 31.12.10 amounted to sh. 148,400
2. Rates paid in advance as at 31.12.10 allowed to sh. 7000
3. Outstanding electricity bill as at 31.12.10 (this included in general expenses) amounted to sh 3580
4. Debtors include irrecoverable amount of sh 5600
5. A 5% provision for doubtful debts is to be made on the recoverable debtors.
6. Depreciation is to be provided on motor vehicles, plant and machinery at 20% and 25% respectively on reducing balance method.
7. Included in wages and salaries is an amount of sh. 62,000 paid to domestic workers of Angel.
8. Included in wages and salaries as at 31.12.10 amounted to sh. 24,800

Required:

(a)   A trading, profit and loss account for the year ended 31.12.10   [12 marks]

(b)   A balance sheet as at 31.12.10   [8 marks]

Question Three

The following figures were extracted from the books of ABC limited for the month of June 2004
Purchases ledger bal. 1st June

Purchases ledger bal. 1st June	Dr	350
	Cr	18,460
Sales ledger balances	Dr	47,600
	Cr	1,350

Credit purchases		39,400
Credit sales		68,940
Cash purchases		20,600
Cash sales		4,400
Return inwards		2,500
Return outwards		800
Receipts from trade debtors		52,600
Payment to trade creditors		38,640
Discount received		4,750
Discount allowed		6,990
Bad debts written off		1,240
Interest charged to debtors		360
Debtors cheque dishonored		870
Purchases ledger credits transferred to sales ledger		1,230
Purchases ledger balance 30th June	Dr	480
Sales ledger balances 30th June	Cr	1,690

Required:

(i) Purchases ledger control account. [10 marks]

(ii) Sales ledger control account [10 marks]

Question Four

On 30th April the cash book of Marima Traders showed a debit bank balance of sh 35,000. His bank statement for April showed a credit balance of sh 41,750 the same day.

(i) The bank had deducted sh 1250 for ledger fees. Also the bank had paid his landlord for office rent sh 10,000 and motor insurance standing order sh 8,750. These items dint appear on Marima's cash book.

(ii) On 15th April the bank credited his account with sh 2,500 being dividends on shares and sh 2,500 being dividends on shares and sh 2,500 being interest on fixed deposit.

(iii) A debtor paid sh 5,000 directly in Marima's bank account

(iv) The following cheques paid out to creditors did not apper on the bank statement cheque No. 1 sh 25,000, cheque No 2 sh 27,500, cheque No 3 sh 4,250

(v) The following cheques deposited on 30 April did not appear on the bank statement sheet ABC sh 10,000 and XYZ sh 30,000

Required:

(a)   Adjusted cash book   [12 marks]

(b)   Draw a bank reconciliation statement.   [8 marks]