

CHUKA



UNIVERSITY

**RESIT/ SPECIAL EXAMINATIONS
EXAMINATION FOR THE AWARD OF
BACHELOR OF PURCHASING AND SUPPLY MANAGEMENT, BACHELOR OF
ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT & BACHELOR OF
COMMERCE**

BCOM 111/110/BBAM 110: PRINCIPLES OF ACCOUNTING I

STREAMS: BPSM, BBAM, BCOM

TIME: 2 HOURS

DAY/DATE: TUESDAY 11/09/2018

8.30 AM – 10.30 AM

INSTRUCTIONS

**INSTRUCTIONS-ATTEMPT QUESTION ONE AND ANY OTHER TWO
DO NOT WRITE ON QUESTION PAPER**

QUESTION ONE

a) Discuss the relationship of accounting and

- i) Supply Chain
- ii) Mathematics
- iii) Economics
- iv) ICT
- v) Entrepreneurship

(5 Marks)

b) Explain the fundamental assumptions of accounting (5 marks)

c) Alexander has the following assets and liabilities as on 31 April 2002:

	Kshs.
Creditors	158,000
Equipment	460,000
Motor Vehicle	251,600
Stock	246,000
Debtors	230,800
Cash at bank	291,200
Cash in hand	1,600

During the first week of May 2002 Alexander:

- a. Bought extra equipment on credit for Kshs.55,200.

- b. Bought extra stock by cheque Kshs.22,800.
- c. Paid creditors by cheque Kshs.31,600.
- d. Debtors paid Kshs.33,600 by cheque and Kshs.2,400 by cash.
- e. Moody put in extra Kshs.10,000 cash as capital.

Required:

- a. Determine the capital as at 1st May 2002. (2 marks)
- b. Record the above transactions in the journal (5 marks)
- c. Draw up a balance sheet after the above transactions have been completed (5 marks)
- d) What do you understand by the term Nominal accounts (3 marks)
- e) Explain five principles of accounting (5 Marks)

a) Name and explain four types of errors which are not disclosed by the trial balance. (5 marks)

b) The trial balance of Karakita, a sole trader, did not balance on 30 April 1995. The difference was put in the suspense account. The final accounts which were then prepared showed a net profit of Sh. 64,000. During audit, the following errors were noted:

- A loan from ABC Bank of Sh 1,000 was entered correctly in cash book but was not posted to the ledger.
- A cheque of Sh. 4,000 for rent was not entered in the books.
- Closing stock was overvalued by Sh 15000.
- Discount allowed of Sh 500 was entered in the discount-received account.
- The opening stock was understated by Sh 32000.
- Prepaid insurance of Sh 220 had been included in the profit and loss account.
- Goods destroyed by fire amounting to Sh 12,000 were written off in the profit and loss account. However, the insurance company has agreed to compensate the full amount.

Required:

- 1. Journal entries to correct the errors. (8 marks)
- 2. Statement of corrected profit. (2 marks)

QUESTION THREE

- a) Explain three source documents used in accounting (6 MarkS)
- b) MaliMali commenced trading as a wholesaler stationer on 1 May 2000 with a capital of Kshs.500,000.00 with which he opened a bank account for his business.

During May the following transactions took place.

- May 1 Bought shop fittings and fixtures from store masters Ltd for Kshs.20,000.00
- May 2 Purchased goods on credit from Bill Kshs.6500.00
- May 4 Sold goods on credit to Braham Kshs.700.00

May 9 Purchased goods on credit from Bonventure 3000.00
May 11 Sold goods on credit to Hillcrest Kshs 5800.00
May 13 Cash sales paid into bank account Kshs. 2000.00
May 16 Received cheque from Braham in settlement of his account
May 17 Purchased goods on credit from Kelly Kshs. 8000.00
May 18 Sold goods on credit to Nelly Kshs. 3600.00
May 19 Sent Cheque to Bill in settlement of his account
May 20 Paid rent by cheque Kshs. 2,000.00
May 21 Paid delivery expenses by cheque Kshs. 5000.00
May 24 Received from Hillcrest Kshs. 2000.00 on account
May 30 Drew cheque for personal expenses Kshs. 2000.00 and assistant wages
Kshs. 3,200.00
May 31 Settled the account of Bonventure.

Required: Journal Entries and a trial Balance

(14 marks)

QUESTION FOUR

a) Teddy Ltd drew up the following trial balance as at 30 September 2002. You are to draft the trading and profit and loss account for the year to end 30 September 2002 and a balance sheet as at that date as well as two profitability and two liquidity ratios.

BCOM 111/110/BBAM 110

	Dr	Cr
	Kshs.	Kshs.
Capital		3,095,500
Drawings	842,000	
Cash at bank	311,500	
Cash in hand	29,500	
Debtors	1,230,000	
Creditors		937,000
Stock 30 September 2001	2,391,000	
Motor van	410,000	
Office equipment	625,000	
Sales		13,090,000
Purchases	9,210,000	
Returns inwards	55,000	
Carriage inwards	21,500	
Returns outwards		30,700
Carriage outwards	30,900	
Motor expenses	163,000	
Rent	297,000	
Telephone charges	40,500	
Wages and salaries	1,281,000	
Insurance	49,200	
Office expenses	137,700	
Sundry expenses	<u>28,400</u>	
	<u>17,153,200</u>	<u>17,153,200</u>

- i) Provided depreciation on office equipment and motor van at 10% on cost.
- ii) Unpaid bills included; Rent Kshs. 2000, Telephone Kshs. 1000
- iii) Prepaid bills included; Insurance Kshs. 9200

Required: Income statement and Balance sheet

(20 marks)