

CHUKA



UNIVERSITY

RESIT/ SPECIAL EXAMINATIONS

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

CIBM 00131: PRINCIPLES OF ACCOUNTING**STREAMS: CIBM****TIME: 2 HOURS****DAY/DATE: WEDNESDAY 12/09/2018****11.30 AM – 1.30 PM****INSTRUCTIONS:****ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

1. (a) Describe 5 users of accounting information. [10 Marks]
- (b) The following Trial Balance has been drawn up form the accounts of Leah's Bookshop.

Trial Balance
As at 31 December 2010

| | Dr Sh. | Cr Sh. |
|--------------------|-----------|------------|
| Sales | | 1515 00 |
| Purchases | 103500 | |
| Salaries and wages | 18700 | |
| Office expenses | 2500 | |
| Insurance | 1100 | |
| Electricity | 600 | |
| Stationary | 2400 | |
| Advertising | 3500 | |
| Telephone | 800 | |
| Rates | 3000 | |
| Discount allowed | 100 | |

| | | |
|------------------------|--------------|--------|
| Discount received | | 200 |
| Rent received | | 2000 |
| Return inwards | 1500 | |
| Return outwards | | 3500 |
| Stock as at 1 Jan 2010 | 46000 | |
| Premises | 80000 | |
| Fixture and fittings | 5000 | |
| Debtors & creditors | 4800 | 7500 |
| Cash in hand | 200 | |
| Cash at bank | | 1200 |
| | | 0 |
| Capital | | 1110 |
| | | 00 |
| Drawings | <u>14000</u> | |
| | 287700 | 287700 |
| | ===== | ===== |

Stock as at 31. December 2010 was sh. 41,000

Prepared: Trading profit and loss account and balance sheet. [12 Marks]

Balance sheet as at same date [8 marks]

QUESTION TWO

Mr. M Onyango commenced trading as a wholesaler on 1 may 2011 with a capital of sh. 5000 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 fitment sh 2000
- May 2: Purchased goods on credit from Abel sh650
- May 4: Sold goods on credit to Bruce sh 700
- May 9: Purchased goods on credit from Green sh 300
- May 11: Sold goods on credit to Hill sh 580
- May 13: Cash sales paid into bank sh 200
- May 16: Received cheque form Bruce in settlement of his account
- May 20: Paid rent by cheque sh 200
- May 21: Purchased goods on credit form Kay sh 800
- May 22: Sold goods on credit to Wailor Sh 360
- May 22: Sent cheque to Abel on settlement of his account
- May 23: Paid delivery expenses by cheque sh 50
- May 24: Received from Hill sh 200 on account
- May 30: Drew cheque for personal expenses sh 200 and assistant wages sh 320
- May 31: Settled the account of Green.

Required:

- (a) Record the transactions in the book of original entry. [5 Marks]
- (b) Post the entries in the ledger accounts. [10 Marks]
- (c) Extract a trial balance. [5 Marks]

QUESTION THREE

- (a) Name and explain 5 types of errors which do not affect the trial balance. [10 Marks]
- (b) Explain any five accounting principles [10 marks]

QUESTION FOUR

- (a) Differentiate between nominal accounts ad real accounts giving examples. [4 marks]
- (b) Explain any four Qualitative characteritics of accounting information. [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 th | deposited ksh. 7000 into a bank account from the cash in hand |
| September 10 th | 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]
