

CHUKA**UNIVERSITY****UNIVERSITY EXAMINATIONS**

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

CIBM 00131: PRINCIPLES OF ACCOUNTING**STREAMS: CIBM, CPLM****TIME: 2 HOURS****DAY/DATE: TUESDAY 7/08/2018****2.30 PM – 4.30 PM****INSTRUCTIONS:****Answer Question One and any other Two Questions****Question One**

- (a) Explain any five users of accounting information, clearly indicating their information need. [10 marks]
- (b) J.J Onyango carried out a business as a sole proprietorship dealing with household goods. His trial balance for the year ended 31/12/2005 was as follows:

	DR Ksh “000”	CR Ksh. “000”
Land and buildings	4000	
Motor vehicles	3000	
Stock (1/1/05)	2000	
Purchases	15000	
Returns inwards	2000	
Sales		32000
Returns outwards		1000
Carriage inwards	1000	
Carriage outwards	500	
Debtors	5000	
Creditors		4000
Discount received		1000
Discount allowed	1500	
Bad debts	1000	

Provision for bad and doubtful debts		500
Electricity	500	
Salaries and wages	500	
Water	200	
Drawings	4000	
Telephone	300	
Capital		2000
	40500	40500
	40500	40500

Additional information

1. Stock as at 31/12/2005 amounted to ksh 2,500,000
2. Provision for bad and doubtful debts is set to be at 15% of debtors
3. Depreciation on motor vehicles is set to be 10% on cost.

Required:

- (i) Prepare a trading, profit and loss account for the year ended 31st December 2005. [12 marks]
- (ii) Prepare a balance sheet as at 31st December 2005. [8 marks]

Question Two

- (a) On first August 2015, Maxwell opened a business which he is the proprietor. During the first week of August 2015, the following transactions took place.

August 1 st	Maxwell deposited ksh. 50,000 of his personal funds to the bank to start the business
August 2 nd	he paid cheque of ksh. 20,000 for purchase of furniture for the business
August 3 rd	he purchased office supplies for ksh. 500 on credit
August 4 th	he purchased an old motor vehicle for use in the business at ksh. 10,000 paying by cheque
August 5 th	he bought goods for resale worthy ksh. 10,000 paying by cheque
August 6 th	he sold goods worthy ksh. 5000 receiving payment in cash.
August 7 th	he withdrew ksh. 2000 cash for personal use

Required:

- (i) Journal entries to record the above transactions [7 marks]
 - (ii) Post to ledger accounts. [10 marks]
- (b) What is the importance of accounting in an organization. [3 marks]

Question Three

- (a) The following information is given from the books of Chuka enterprises 2008

March 1	balances b/d: Cash – ksh. 2300; Bank – ksh 46560
March 2	Boniface a debtor paid ksh. 1400 by cheque after allowing him a discount of 10%
March 3	paid rent by cheque ksh. 1200
March 10	paid motor expenses in cash ksh 440
March 15	settled the account of Towelt a creditor by cheque ksh. 3600 less 5% discount
March 20	bought goods for resale ksh. 5000 paying by cheque
March 25	received commission by cheque ksh 880
March 28	Cash drawings of ksh. 600
March 30	Transferred ksh. 2000 from business cash in hand to bank
March 31	paid ksh. 200 cash for repair of motor vehicle

Required:

- Prepare a three column cash book. [16 marks]
- (b) Explain the four importance of accounting ratios in a business. [4 marks]

Question Four

- (a) Give a brief explanation of the following accounting principles and assumptions

(i)	Going concern assumption	[2 marks]
(ii)	Periodicity assumption	[2 marks]
(iii)	Revenue recognition principle	[2 marks]
(iv)	Historical cost principle	[2 marks]
(v)	Matching principle	[2 marks]
(vi)	Consistency principle	[2 marks]

- (b) Using suitable examples differentiate between nominal accounts and real accounts. [4 marks]

- (c) Give four reasons for subdividing the journal into various subsidiary books. [4 marks]
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