

**CHUKA**



**UNIVERSITY**

## **UNIVERSITY EXAMINATIONS**

**FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE AND BACHELOR OF ECONOMICS AND STATISTICS AND BACHELOR OF COMMERCE ( ODEL)**

**BCOM 111: PRINCIPLES OF ACCOUNTING 1**

**AGBM 121: FINANCIAL ACCOUNTING Y1S1, Y1S2**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: FRIDAY 20/04/2018**

**8.30 A.M – 10.30 A.M**

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**INSTRUCTION:**

- **Answer question one and any other two**

1. (a) Explain five user of accounting information and their needs. [10marks]
- (b) The books of Mr. T. a trader in tea showed the following balances as at 31<sup>st</sup> March 2016:

	Ksh
Opening stock of tea	100,000
Purchases -Tea	400,000
Salaries paid	80,000
Buildings	95,000
Cash in hand	2,000
Cash at bank	135,000
Rent, rates and council taxes	15,000
Insurance premium paid	3,000
Miscellaneous receipts	10,000
Sales	720,000
Discounts allowed	4,750
Bad debts	3,250
Building repairs	2,900
Miscellaneous expenses	8,700
Advertisement	20,000

Commission on sales manager	32,400
Furniture and fittings	35,000
Air conditioners	30,000
Sundry debtors	100,000
Sundry creditors	80,000
Loan on mortgage	70,000
Interest paid on the above	3,000
Prepaid expenses	4,000
Drawings	18,000
Bills payable (current liability)	30,000
Bank charges	2,000
Legal charges	6,000
Motor vehicles	80,000
Travelling and conveyance	10,000
Capital	280,000

The following further information was obtained:

- (i) Closing stock was ksh 55,000
- (ii) Further bad debts of ksh 2,000
- (iii) Provision for bad debts is to be created at 2% of net amount outstanding from trade debtors
- (iv) Depreciation is chargeable as follows:-
 

Buildings	2.5%
Furniture and fittings	10%
Air conditioners	15%
Motor vehicles	20%
- (v) Accrued travelling amounted ksh 2,000 and prepaid legal fees amounted to ksh 1,000.

**Required :**

- (i) Prepare statement of comprehensive income for the year ended 31<sup>st</sup> March 2016 and financial position statement as at that date. [12marks]
  - (ii) Statement of financial position as at the same date. [8marks]
2. (a) Explain five principles of accounting. [5marks]
- (b) The following transactions were in the books of the ledger of Kamlesh.

BCOM 111/AGBM 121

March 2003	1	started business with cash ksh 1,000,000
“	2	Bought goods on credit from A Cliks ksh 296,000
“	3	Paid rent by cash ksh 28,000
“	4	paid ksh 700,000 of the cash of the firm into a bank account.
“	5	Sold goods on credit to J Simposon ksh 54,000.
“	7	Bought stationery ksh 15,000 paying by cheque
“	11	Cash sales ksh 49,000
“	17	Sold goods on credit to P Lutz ksh 29,000
“	20	paid for repairs to the building by cash ksh 18,000
“	22	J Simposon returned goods to us ksh 14,000
“	27	Paid A Cliks by cheque ksh 279,000
“	28	Cash purchases ksh 125,000
“	30	Paid motor expenses in cash ksh 15,000
“	31	Bought fixtures ksh 120,000 on credit from R West

**Required :** Balanced ledger accounts and trial balance. [15marks]

3. (a) Explain the advantages of ratio analysis. [4marks]

(b) The following information is given from the books of national enterprises

March 2008	1	Balances brought forward: cash ksh 230, bank ksh 4,756.
“	2	The following paid their accounts by cheque in each case deducting 5% discounts: R.Burton ksh 140, E.Taylor ksh 220, R.Harris ksh 800
“	4	Paid rent by cheque ksh 120
“	6	J.Cotton lent us ksh 1,000 paying by cheque
“	8	We paid the following accounts by cheque in each case deducting a 2½ % cash discount: N.Black ksh 360, P.Towers ksh 480, C.Rowse ksh 300.

BCOM 111/AGBM 121

- “ 10 Paid motor expenses in cash ksh 44.
- “ 12 H hankins pays his account of ksh 77, by cheque ksh 74, deducting ksh 3 cash discount.
- “ 15 Paid wages in cash ksh 160
- “ 18 The following paid their accounts by cheque, in each case deducting 5% cash discount: C Winston ksh 260, R Wilson and son ksh 340, H Winter ksh 460.
- “ 21 Cash withdrawn from the bank ksh 350 for business use.
- “ 24 Cash drawings ksh 120
- “ 25 Paid T Briers his account of ksh 140 by cash ksh 133, having deducted ksh 7 cash discount.
- “ 29 Bought fixtures paying by cheque ksh 650.
- “ 31 Received commission by cheque ksh 88.

**Required :** A three column cash book [16marks]

4. (a) Explain the purpose of a trial balance. [4marks]

(b) Otter limited operates a computerized accounting system for its sales and purchases ledgers. The control accounts for the month of September 2009 are in balance and incorporate the following totals:

	Ksh
Sales ledger;	
Balances at 1 sept 2009 : debt	386,430
Credit	190
Sales	163,194
Cash received	158,288
Discount allowed	2,160
Sales returns inwards	590
Credit balances at 30 sept 2009	370

Purchase ledger :	
Balances at 1 sept 2009	184,740
Credit	
Debit	520
Purchases	98,192
Cash payments	103,040
Discounts received	990
Purchases returns outwards	1,370
Debit balances at 30 sept 2009	520

Although the control accounts agree with the underlying ledgers, a number of errors have been found, and there are also several adjustments to be made. These errors and adjustments are detailed below:

1. Four sales invoices totaling ksh 1,386 have been omitted from records.
2. A cash refund of ksh 350 paid to a customer, A Smith, was mistakenly treated as a payment to a supplier, A Smith limited.
3. A contra settlement offsetting a balance of ksh 870 due to a supplier against the sales ledger account for the same company is to be made.
4. Bad debts totaling ksh 1,360 sre to be written off.
5. During the month settlement was reached with a supplier over a disputed account. As a result, the supplier issued a credit note for ksh 2,000 on 26 September. No entry has yet been made for this.
6. A PURCHASE invoice for ksh 1,395 was keyed in as 1,359.
7. A payment of ksh 2,130 to a supplier, B Jones was mistakenly entered to the account of R.Jones.
8. A debit balance of ksh 420 existed in the purchases ledger at the end of August 2009. The supplier concerned cannot now be traced and it has been decided to write off this balance.

**Required :**

Prepare the sales ledger and purchases ledger control accounts as they should appear after allowing, where necessary, for the errors and adjustments listed. [16marks]