

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EMBU CAMPUS

**FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF EDUCATION PRIMARY OPTION**

PECO 431: ECONOMIC ACCOUNTING

STREAMS: BED (P) Y4S2 S.B

TIME: 2 HOURS

DAY/DATE: THURSDAY 09/08/2018

8.30 AM – 10.30 AM

INSTRUCTIONS:

- **Answer Question One and any other Two Questions**
- **Do not write on question paper**

1. (a) The following information was provided by Lorritah Moraa of sole trade in Embu town during the month June 2018.

Date:

- 1st Brought in capital sh. 400,000 in which sh. 300,000 was deposited in business bank account and balance in business cash box.
- 2nd purchased stock for sh 40,000 on credit from Embu sons ltd and in cash from Muthaa sh. 50,000
- 5th purchased motor cycle for business use sh 60,000 and paid by cheque
- 8th sold goods to Kefa on credit sh 84,000 and Murukuku sh 70,000 in which it was paid by cheque
- 13th purchase stock in cash sh 120,000 and credit from Osano sh 140,000
- 14th purchase stock by cheque from Ramu sh 190,000
- 20th paid Embu sons in cash sh. 40,000
- 22nd paid Osano by cheque sh 100,000
- 24th sold goods to Kamau on credit 180,000 and cash to Nina sh 82,000
- 25th deposited into bank sh 75,000
- 26th paid wages in cash 58,000 and by cheque sh 120,000
- 30th received cheque of sh 84,000 from Kefa

Required:

- (i) Two column cash book. [6 marks]
 - (ii) Other respective ledger account [10 marks]
 - (iii) Trial balance [4 marks]
- (b) Describe the various classification of taxes in Kenya. [10 marks]
2. (a) The following trial balance was provided by Fidel Orina enterprises for the year ended 30th June 2018.

Particulars	Sh '000'	Sh '000'
Opening stock	2,368	
Carriage outwards	200	
Carriage inwards	310	
Return outwards		322
Return inwards	205	
Purchases	11,874	
Sales		18,600
Salaries and wages	3,862	
Rent	204	
Insurance	78	
Motor vehicle expenses	664	
Office expenses	216	
Lighting and heating expenses	166	
General expenses	314	
Premises	5,000	
Motor vehicles	1,800	
Furniture and fittings	350	
Debtors	3,896	
Creditors		1,731
Cash at bank	482	
Drawings	1,200	
Capital		12,636
	33,289	33,289
	33,289	33,289

Closing stock was valued at sh 2,946,000

Required:

- (a) Income statement for the year ended 30th June 2018. [12 marks]

- (b) Statement of financial position as at that date. [8 marks]
3. (a) Explain the importance of budgets to business operations. [10 marks]
- (b) Describe any ten principles of taxation. [10 marks]
4. (a) Describe the qualities of good money material. [10 marks]
- (b) Explain five advantages of a company over partnership form of business. [10 marks]
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