

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL EXAMINATION

EXAMINATION FOR THE AWARD OF DIPLOMA IN ACCOUNTING

DIAC 0111: PRINCIPLES OF ACCOUNTING I

STREAMS:

TIME: 2 HOURS

DAY/DATE: MONDAY 17/09/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- **Answer question ONE and any other two questions**
- **Do not write on the question paper**

QUESTION ONE

- a) Explain at least five accounting principles (10 marks)
- b) Explain the qualitative characteristics of accounting information (7 marks)
- c) Explain the users of accounting Information (7 marks)
- d) Explain three errors that do not affect the trial Balance (6 marks)

QUESTION TWO

- (a) OnyancheMokogi started business on 1st August 2012 as a sole trader in Ndagani, Chuka. The following transactions took place during the month.

Date:

1st He brought in capital of Sh.850,000 in which he opened bank account and deposited Sh.600,000 and the balance kept in the premises.

3rd Purchased stocks as follows:
From Makanyengo Sh.80,000 in cash, credit from Murungi Sh.120,000 and cheque from Kaunda Sh.100,000

8th Sold goods as follows: To Kaangi on credit Sh.200,000, cash to Kamau Sh.110,000 and Chamwada paid by cheque Sh.30,000.

- 17th Purchased motor vehicle from general motors and paid by cheque Sh.452,000 after a discount of Sh.8,000.
- 22nd Paid Oparanya a commission for legal services Sh.12,000 in cash.
- 24th Received a commission by cheque from Ruto Sh.27,000.
- 28th Received Sh.180,000 by cheque from Kaangi.
- 29th Paid Murungi by cheque Sh.118,000 for full settlement of credit owed.
- 30th Deposited into the bank Sh.70,000.

Required:

- i. A three column cash book. (8 marks)
- ii. Enter the above transaction into their respective ledger account and balance off the accounts. (8 marks)
- iii. Prepare trial balance. (4 marks)

QUESTION THREE

The following trial balance was extracted from the books of Speedman Kenya Ltd as at 31st December 2011.

Details	Dr (Sh)	Cr(S h)
Share capital		90,000
10% Cooperative bank loan		30,000
Buildings at cost	95,000	
Fixtures and fittings	15,500	
Equipments at cost	8,000	
Motor vehicle at cost	17,200	
Provisions for depreciation		
- Equipments (1/1/2012)		2,400
- Motor vehicle (1/1/2012)		5,160
Opening stock	22,690	
Sales		98,200
Purchases	53,910	
Carriage inwards	1,620	
Salaries and wages	9,240	
Directors remunerations	6,300	
Motor vehicle expenses	8,120	
Rates and insurance	2,930	
General expenses	560	

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Cooperative interest on loan	1,500		
Debtors	18,610		
Creditors		11,370	
Bank	8,390		
General reserve		5,000	
Share capital premium		0	
Dividends due to be paid	3,500		
Profits and loss account (31/12/11)			<u>16,940</u>
	<u>273,070</u>		<u>273,070</u>

Additional information:

- i. Stock on 31/12/2012 was Sh.1,200.
- ii. Accrued interest on Co-operative loan Sh.1,500.
- iii. Provide dividends for capital at 10%.
- iv. Provide provisions for bad debts at 10% on debtors.
- v. Provide for corporate tax Sh.5,000.

Required:

- (a) Trading and profit and loss account of the company for the year ended 31stDecember 2011. (12 marks)
- (b) Balance sheet as at that date. (8 marks)

QUESTION FOUR

2. a) Gesima Power Mills Ltd has provided the following information for the year ended 30th June 2013.

Balance Sheet of Gesima Power Mills Ltd.

Details	Sh	Sh
<u>Fixed Assets:</u>		
Land and buildings		700,000
Plant and machinery		500,000
Motor vehicles		450,000
Fixtures and fittings		<u>150,000</u>
		1,800,000
<u>Current Assets:</u>		
Debtors	250,000	
Cash at bank	300,000	
Cash at hand	150,000	
Stock	<u>200,000</u>	

	900,000	
Less: <u>Current liabilities</u>		
Creditors 400,000		
Proposed dividends 250,000		
Provisions for tax <u>50,000</u>	<u>700,000</u>	<u>200,000</u>
TOTAL ASSETS (NET)		2,000,000
		=====
<u>Financed by:</u>		
Capital	1,000,000	
10% KCB loan	500,000	
Retained profits	<u>500,000</u>	
CAPITAL EMPLOYED		<u>2,000,000</u>
	=====	=====

Required:

- (i) Stock turnover ratio (4 marks)
- (ii) Net profit ratio (4 marks)
- (iii) Current ratio (4 marks)
- (iv) Liquid ratio (4 marks)
- (v) Return on Capital Employed (4 marks)