

**CHUKA****UNIVERSITY****RESIT/ SPECIAL EXAMINATIONS****EXAMINATION FOR THE AWARD OF  
DIPLOMA IN DIPLOMA IN ACCOUNTING****DIAC 0112: PRINCIPLES OF ACCOUNTING II****STREAMS: DIAC****TIME: 2 HOURS****DAY/DATE: WEDNESDAY 25/07/2018****8.30 AM – 10.30 AM****INSTRUCTIONS:****Answer Question One and any other Two****Question One**

- (a) Explain the meaning of the term imprest system and state two reasons for maintaining a petty cash book. [4

marks]

- (b) The following information is from the books of the petty cashier of ABC Limited in the month of August 2010.

August 1	Received for petty cash payments	sh 1,000
August 2	Paid for postage	sh. 80
August 5	Paid for stationery	sh. 50
August 8	paid for advertisements	sh.100
August 12	Paid for wages	sh. 40
August 16	Paid for transport	sh 30
August 20	Paid for postage	sh 44
August 25	Paid for transport	sh.160
August 27	Paid for tea and snacks	sh.100
August 28	Paid wages to cleaner	sh.50
August 30	Paid for postage	sh.40

Required:

Prepare a petty cash book on imprest system for ABC Ltd on the month of August 2010.

[8

marks]

- (c) State three sources of revenue for non-profit organizations. [2 marks]

- (d) The following is an extract from the cash book (bank column only) of John Mutua, a sole trader for the month ended 31 January 2017.

Sh.

Sh.

Balance b/d	703,500	payments	7,760,000
Receipts	7,536,500	Bal c/d	480,000

Additional information:

The bank statement as at 31 January 2007 showed that the bank account was overdrawn by sh. 62,000.

Bank charges of sh. 17,500 had not been entered in the cash book.

A cheque drawn of sh. 23,500 had been entered in the cash book as a receipt.

A cheque for sh. 9000 had been returned unpaid by the bank but had not been written back in the cash book.

The opening balance of the cash book should have been brought down as sh. 735,000.

Cheques paid to suppliers for sh. 107,000, sh. 15,000 and sh. 185,000 had not yet been debited by the bank.

The last pay-in-slip for the month showing a deposit of sh. 771,000 had not yet been credited by the bank.

The bank had debited a cheque for sh. 360,000 by mistake to John Mutua account.

Required:

- (i) Updated cash book as at 31 January 2007. [9 marks]
- (ii) Bank reconciliation statement as at 31 January 2007 [7 marks]

### Question Two

Kamau and Njoroge are in a partnership sharing profits and losses in the ratio 3:2 respectively after crediting their accounts with interest on capital at 10% p.a and monthly salaries of sh. 15,000 and sh. 20,000 respectively. Interest on drawing is charged at 5% p.a their trial balance as at 31<sup>st</sup> December 2013 is as follows:

	Dr. shs	Cr .shs
Capital a/c		
Kamau		500,000
Njoroge		400,000
Current a/c		
Kamau		20,000
Njoroge		10,000
Drawings		
Kamau	225,000	
Njoroge	215,000	
Net profit		800,000
Fixed assets (cost)		
Land & Buildings	500,000	

Plant & Machinery	300,000	
Motor vehicle	200,000	
Creditors		100,000
Accumulated depreciation		
Land & Building		100,000
Plant & Machinery		50,000
Motor vehicle		50,000
Debtor	100,000	
	200,000	
	2,030,000	
Stock	200,000	
Cash	2,030,000	

Required:

- (i) Profit and loss appropriation a/c
- (ii) Current accounts
- (iii) The balance sheet as at 31<sup>st</sup> Dec 2013 [20 marks]

**Question Three**

- (a) The following is a summary of Waridi corporation’s transaction for the year 2005

	Shs.
Sales on credit	234,000
Collection from customers	260,000
Cash receipt of interest revenue	12,000
Cash receipt of dividend revenue	9,000
Cost of goods sold	150,000
Payment to suppliers	135,000
Salary expense and payments	56,000
Depreciation expense due	18,000
Other operating expenses due	17,000
Interest expense and payments	16,000
Income tax expense and payment	15,000
Cash payments to acquire plant assets	317,000
Proceeds from sale of plant assets	62,000 including sh. 8,000
Proceeds from issuance of common stock	101,000
Payment of cash dividend	17,000
Cash balance as at 1 <sup>st</sup> Jan. 2005	42,000
Cash balance as at 31 <sup>st</sup> Dec. 2005	22,000

Required:

Using a direct method, prepare a cash flow statement for Waridi corporations Ltd for the year ended 31<sup>st</sup> Dec. 2005 [10 marks]



Work in progress      8,000  
Finished goods        10,350

2. The factory output is transferred to the trading account at factory cost plus 25% of factory profit.
3. Depreciation is provided at the rates show below on the original cost of fixed assets held at the end of each financial year:  
Plant and machinery – 10% per annum  
Motor vehicles – 25% per annum
4. Amounts accrued at 31 December 2002 of direct labour amounted to sh. 3,000,000 and rent and rates prepaid at 31 December 2002 amounted to sh. 2,000,000

Required:

- (i) Manufacturing trading and profit and loss account for the year ended 31 December 2002. [12

marks]

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