

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

## CHUKA AND EMBU CAMPUSES

FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF  
COMMERCE

## BCOM 111: PRINCIPLES OF ACCOUNTING I

STREAMS: BCOM Y1S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 08/04/2020

2.30 P.M. – 4.30 P.M.

## INSTRUCTIONS:

- Answer question ONE and any other TWO questions.

## QUESTION ONE

- (a) The following trial balance was extracted from the books of Hatari traders, a sole trader as at 30<sup>th</sup> Sep 2017.

	Dr	Cr
	Sh '000'	Sh. '000'
Capital		4,400
Promises	3,000	
Purchases	11,500	
Sales		2,102
Trade receivables	2,100	
Trade payables		1,020
Plant and machinery	5,000	
Provision for depreciation: Plant & machinery		500
Salaries and wages	2,624	
Postage and stationery	95	
Carriage inwards	125	
Carriage outwards	60	
Opening inventory	1,800	
Cash at bank	318	
Cash in hand	84	
Bad debts	57	

Drawings	200	
Allowance for doubtful debts		21
Office general expenses	<u>90</u>	
	<u>27,043</u>	<u>27,043</u>

**Additional Information**

1. The closing inventory as at 30<sup>th</sup> Sep 2017 was valued at Sh. 2,160,000
2. Allowance for doubtful debts is to be adjusted to 3% of trade receivables.
3. Hatari traders have rented out part of its business premises and a rent receivable of Sh. 500,000 is due for the period ending 30<sup>th</sup> Sep 2017.
4. Office expense prepaid as at 30<sup>th</sup> Sep 2017 was Sh. 10,000.
5. Salaries and wages outstanding as at 30<sup>th</sup> Sep 2017 amounted to Sh. 100,000.
6. Depreciation is provided for premises at 2% on straight line basis while plant and machinery at 10% on reducing balance method.

**Required**

- (i) Statement of income for the year ended 30<sup>th</sup> Sep 2017. (12 marks)
  - (ii) Statement of financial position as at 30<sup>th</sup> Sep 2017. (8 marks)
- (b) Explain any five branches of accounting. (10 marks)

**QUESTION TWO**

- (a) Using suitable examples, differentiate between nominal accounts and real accounts. (4 marks)

- (b) On 1<sup>st</sup> January 2018, MK, enterprises owned by Pendo, started a business and the following transactions were recorded by the end of the first week.

1<sup>st</sup> Jan: Deposited Sh. 200,000 of his personal funds to the bank to start the business.

2<sup>nd</sup>: Paid Sh. 80,000 (cheque) for purchase of furniture for the business

3<sup>rd</sup>: Purchase of office supplies for Sh. 2,000 on credit.

4<sup>th</sup>: Purchased an old motor vehicle for use in business for Sh. 40,000 paying by cheque.

5<sup>th</sup>: Bought goods for resale worth Sh. 40,000 paying by cheque.

6<sup>th</sup>: Sold goods worth Sh. 20,000 receiving payment in form of cash.

7<sup>th</sup>: Withdraw Ksh. 4,000 cash for personal use.

**Required:**

- (i) Journal entries to record the above transactions. (7 marks)
- (ii) Post to ledger accounts. (9 marks)

**QUESTION THREE**

- (a) The following information has been extracted from the books of MOG who operates a shop, for the year ended 31<sup>st</sup> Dec 2019.

	Sh
Balance as at 1 <sup>st</sup> Jan 2019	
Sales ledger debit balance	146,000
Sales ledger credit balance	1,000
Purchase ledger credit balance	84,000
Purchase ledger debit balance	3,200
Transaction during the year:	
Credit sales	225,000
Credit purchases	1,772,000
Cash received from debtors	219,000
Payment to creditors	1,715,000
Discount allowed	25,000
Discount received	10,000
Return inwards	34,000
Return outwards	30,000
Contra entry	8,000
Bad debts written off	2,000
Balance as at 31 <sup>st</sup> Dec 2019:	
Sales ledger credit balance	400
Purchase ledger debit balance	1,400

**Required:**

- (i) Sales ledger control account for the year ended 31<sup>st</sup> Dec 2019. (6 marks)
- (ii) Purchases ledger control account for the year ended 31<sup>st</sup> Dec 2019. (6 marks)
- (b) (i) Explain any four limitations of accounting ratios. (4 marks)

- (ii) Outline four reasons for maintaining control accounts. (4 marks)

**QUESTION FOUR**

- (a) The trial balance of Ruanda failed to balance on 30<sup>th</sup> December 2018. It was observed that the total debits exceeded the total credit by Sh. 47,600. Investigations revealed the following errors;
- (i) Sales had been overcast by Sh. 3,000
  - (ii) Return outwards account had not been credited with an amount of Sh. 12,264.
  - (iii) Payment by a debtor of sh. 30,000 by a direct bank transfer had not been entered in the debtor's accounts.
  - (iv) A cash purchase of Sh. 464 had been recorded in the cash book only.
  - (v) Sh. 4,400 received from a debtor had been debited to his account.

**Required**

- (i) Journal entries to correct the errors. (5 marks)
  - (ii) Suspense account duly balanced. (5 marks)
- (b) Explain any five types of errors that do not affect the balancing of trial balance. (10 marks)
-