

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 111: PRINCIPLES OF ACCOUNTING I

STREAMS: BCOM YISI (ODEL)

TIME: 2 HOURS

DAY/DATE: TUESDAY 14/04/2020

8.30 AM – 10.30 AM

INSTRUCTIONS:

- **Answer Question One and any other Two Questions only**
- **Do NOT write anything on question paper**

1. (a) Using examples explain the procedures constituting accounting cycle. [6 marks]
- (b) Explain the following accounting concepts and their importance in preparing the accounting books.
- (i) Accrual concept [4 marks]
- (ii) Going concern concept [4 marks]
- (c) Meru farmers cooperatives has provided the following financial data for the year ended 31st March 2020.

Liabilities	Sh	Assets	Sh
Capital shares @sh.10	1,000,000	Land and buildings	700,000
12% cooperative bank loan	500,000	plant & machinery	500,000
Profits	500,000	Motor vehicles	450,000
Creditors	400,000	Fixtures and fittings	150,000
Proposed dividends	250,000	Debtors	250,000
Accrued wages	50,000	Cash at hand	300,000
		Cash at bank	150,000

<u> </u> <u>2,700,00</u> <u>0</u>	Closing stock	<u>200,000</u> <u>2,700,000</u>
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Additional information:

- (i) Annual sales sh 2,000,000
- (ii) Stock on 1st April 2019 sh 200,000
- (iii) Annual purchases sh 1,000,000
- (iv) Annual operating expenses sh 400,000

Required:

- marks] (i) Net profit ratio [5
- (ii) Current ratio [3 marks]
- (iii) Quick ratio [3 marks]
- (iv) Return on capital employed [3 marks]
- (v) Comment on liquidity status of the company [4 marks]

2. The following trial balance was provided by John Mwambi a sole trader at Kiserian town for the year ended 31st December 2019.

Particulars	Dr	sh. '000'	Cr	sh. '000'
Capital account				13,000
Drawings		2,700		
Debtors & creditors		2,535		2,250
Opening stock		3,961		
Purchases and sales		14,500		22,400
Returns		539		462
Wages & salaries		3,165		
Carriage inwards		470		
Discounts		354		330
Advertising expenses		313		
Bad debts		110		
General expenses		510		
Rates		275		
Cash at hand		80		
Cash at bank		330		
Motor vehicles at cost		1,100		
Premises at cost		4,500		
Machineries at cost		3,000		
		<u>38,442</u>		<u>38,442</u>

Additional information as on 31st December 2019.

- (i) Wages accrued sh 54,000
- (ii) Stock was valued at sh 4,126,000
- (iii) Advance rates sh 65,000
- (iv) Motor vehicles be depreciated at 20% on cost

Required:

- (i) Income statement for the year ended 31st December 2019. [13 marks]
 - (ii) Statement of financial position as at 31st December 2019. [7 marks]
3. (a) Makau wa Kitui started business in kitui on 1st March 2020. The following was the transaction for the month.
- 1st March he brought in capital sh 800,000 of which he opened cooperative bank and deposited sh 600,000 and balance was kept cash in the business.
 - 4th purchased the stock from Kimonderi in cash sh 27,000 and on credit from Amanda sh 42,000
 - 7th sold the stock to mwamusandi in cash sh 54,000 and credit to Omoi sh 22,000
 - 10th purchased stock from Akida sh 79,000 on credit and by cheque from Momanyi sh 63,000
 - 18th purchased motor cycle for business use by cheque from Kitui motors ltd sh 100,000
 - 21st paid Amanda in cash sh 42,000
 - 23rd received a cheque from Omoi sh 20,000
 - 24th paid Akida by cheque sh 60,000
 - 28th deposited into bank sh 40,000
 - 31st paid fees for his son at Chuka University by cheque sh 30,000

Required:

- (a) Two column cash book [8 marks]

(b) Other respective ledger accounts (cash and bank not required). [12 marks]

4. (a) Explain the use of accounting information from a public company to the following persons

- (i) Government [3 marks]
- (ii) Suppliers [4 marks]

(b) Describe the accounting errors that cannot be disclosed in the trial balance. [6 marks]

(c) The following information is provided by Marima suppliers ltd for the month of January 2020.

Particulars	Kshs '000'
Debit balance debtors	6,420
Totals for the month:	
-sales journal	12,800
-cash & cheques received from debtors	10,370
-discount allowed	395
-debit balances in sales ledger set-off against credit balance in purchase ledger account	145
-credit balance	50

Required: Sales ledger control account. [7 marks]
