

UNIVERSITY EXAMINATION

CHUKA



UNIVERSITY

RESIT/SPECIAL EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 111: PRINCIPLES OF ACCOUNTING 1

STREAMS:

TIME: 2 HOURS

DAY/DATE: MONDAY 03/05/2021

11.30 A.M – 1.30 P.M

INSTRUCTIONS:

Answer question ONE and any other TWO questions only
Do NOT write in the question paper

QUESTION ONE

- a) Giving examples explain the various books of original entry in accounting (8 marks)
b) distinguish between bad debts and provisions for bad debts. (3 marks)
c) The following trial balance was extracted from the books of Spenomatics Logistics on 31st December 2018

Particulars	Dr	Cr
Capital		250,000
Opening stock	25,000	
Plant and machinery at cost	250,000	
Motor vehicle at cost	80,000	
Provision for depreciation:- Plant and machinery		20,000
Motor vehicle		16,000
Purchases	360,000	
Sales		600,000
Wages and salaries	60,000	
Returns	40,000	20,000
Discounts	5,000	4,000
Carriage inwards	2,500	
Carriage outwards	3,000	

Postage and telephone	7,500	
Water and electricity	8,600	
Bad debts written off	1,500	
Provisions for bad debts		1,000
General expenses	8,500	
Rent and rates	15,000	
Debtors	55,000	
Creditors		46,600
Cash at hand	6,000	
Cash at bank	30,000	
	957,600	957,600

Additional information

- i. Closing stock was valued at sh 22,500
- ii. Depreciation to be charged at 30% and 10% on motor vehicle and plant and machinery respectively
- iii. Rent accrued sh 3,000
- iv. Pre-paid rates sh 1,000
- v. Outstanding electricity bill sh 600
- vi. Provisions for bad debts to be adjusted to sh 1,300

Required:

- i. Income Statement for the year ended 31st December 2018 (11 marks)
- ii. Statement of financial position as at that date (8 marks)

QUESTION TWO

The following statement of financial position was provided by Speed-Man Tour Operators Ltd for financial year ended 31st March 2019.

LIABILITIES	SH	ASSETS	SH
Equity share capital	1,000,000	Good will at cost	500,000
6% preference capital	500,000	Plant and machinery	600,000
General reserve	100,000	Land buildings	880,000
Profit and loss account	400,000	Furniture and fittings	100,000
Provisions for tax	176,000	Stock in trade	600,000
Bills payable	124,000	Bills receivable	30,000
Bank overdraft	20,000	Debtors	150,000
Creditors	80,000	Bank balance	20,000
12% Debentures	500,000	Long-term marketable security	20,000

The following additional information was extracted from trading and profit account for the same period

- i. Annual total revenues Sh 2,800,000
- ii. Annual purchases Sh 1,000,000
- iii. Annual expenditures Sh 400,000
- iv. Other costs includes debentures interest Sh 100,000

- v. Taxation on profits 50% on net profit
- vi. Opening sock Sh 800,000

a) Required:

- i. Net profit (after tax ratio) (3 Marks)
 - ii. Gross profit ratio (3 Marks)
 - iii. Current ratio (3 Marks)
 - iv. Quick ratio (3 Marks)
 - v. Capital gearing ratio (3 Marks)
- b) Comment on the liquidity status of the company (5 marks)

QUESTION THREE

- a) Describe the use of accounting information to the following persons.
 Government. (5 marks)
 Investors. (5 marks)
- b) Describe any five errors of Accounting that cannot be disclosed by trial balance (8 marks)

QUESTION FOUR

The following information was given by Boruma a business person in Nairobi for the month of May 2019.

Date	Particulars for the month of May 2019
1 st	Brought in capital in cash sh 400,000 and business bank deposits sh 2,000,000
4 th	Purchases of stock in cash from Muruai sh 300,000
6 th	Stock purchases from Amba by cheque sh 89,000
9 th	Sales in credit to Duke sh 78,000
12 th	Cash sales of Nyangweso sh 102,000
16 th	Purchases of Motor vehicle on credit from CMC Motors sh 1,300,000
18 th	Payment to Amba in cash sh 89,000
22 nd	Credit purchases from Odhiambo sh 250,000
23 rd	Cheque payable to Odhiambo sh 240,000
27 th	Withdrew from bank for home use sh 60,000
30 th	Deposited into bank sh 70,000

Required at the end of the month:

- a) Two column cash book balanced off (7 marks)
- b) Other respective Ledger account (cash and bank not required) (9 marks)
- c) Trial balance (4 marks)

