

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
RESIT/SPECIAL EXAMINATION**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE
BCOM 111: PRINCIPLES OF ACCOUNTING 1**

STREAMS: BCOM Y1S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 11/08/2021

2.30 P.M – 4.30 P.M.

• **INSTRUCTIONS:**

Answer question One and any other two

QUESTION ONE

a) Explain the following accounting principles and concepts:

- (i) Duality concept. (2 marks)
- (ii) Consistency concept. (2 marks)
- (iii) Materiality concept. (2 marks)

b) With relevant examples, differentiate between

- (i) Non current assets and current assets. (4 marks)

c) The following trial balance has been extracted from the books of Mr Kasee as at 30th June 2009

Cr	Dr
	Shs.
Shs.	
Purchases and Sales 792,825	468,500
Cash at Bank	41,000
Cash in hand	3,240

Capital account 1 July 2008	
438,325	
Returns Inwards and Outwards	14,000
12,000	
Carriage Inwards	3,000
Drawings	171,000
Office furniture	29,000
Rent	34,000
Wages & Salaries	314,000
Discounts	8,200
1,600	
Debtors and creditors	123,160
52,450	
Stock 1 July 2008	41,200
Provision for bad and doubtful debts 1 July 2008	
4,050	
Delivery Van	37,500
Van running costs	6,150
Bad debts written off	7,300
	1,301,250
1,301,250	

Additional information:

- (i) Stock as at 30th June 2009 Shs. 24,000
- (ii) Wages and salaries accrued at 30th June 2009 Shs. 3,400
- (iii) Rent prepaid at 30th June 2009 Shs. 2,300
- (iv) Van running costs owing at 30th June 2009 Shs. 720
- (v) Increase the provision for bad and doubtful debts to shs. 4,960
- (vi) Provide for depreciation as follows: office furniture Shs. 3,800, Delivery van Shs. 12,500

Required:

Draw up Mr Kasee's Income statement for the year ended 30th June 2009 and a balance sheet as at that date.

(20 marks)

QUESTION TWO

a) The trial balance of Mzee Mali, a sole trader, prepared on 31st December 2009 had a shortage of shs. 12,000 on the debit side. A suspense account was opened for the difference.

The Trading and Profit and loss account prepared on 31st December 2009 showed a net profit of shs. 78,045. An examination into the ledger accounts of Mzee Mali on 31st January 2010 revealed the following errors:

- (i) Sales overcast by Shs. 13,500
- (ii) Insurance undercast by shs. 6,000
- (iii) Cash received from a debtor entered in the cash book only shs 7,500
- (iv) A purchase of shs. 8,850 is entered in the books, debit and credit entries as shs. 5,880

Required:

- (i) Prepare journal entries to correct the above errors. (4 marks)
- (ii) Show the entries in the suspense account (3 marks)
- (iii) Calculate the corrected net profit for the year ended 31st December 2008 (3 marks)

b) Holden started a consulting business and invested ksh.40, 000 cash in the business cash box. He did the following transaction thereafter.

- a) May 1, Rented a furnished office and paid 2200 cash
- b) May 3, purchased 1890/= of office equipment on credit
- c) May 5, Paid 750/= for cleaning services
- d) May 8, provided consulting services for a client for Kshs 2000.
- e) May 12, provided consulting services for 5400 and collected cash
- f) May 15, paid 750 cash for office assistance salary for half a month
- g) May 22, provided 3200/= of consultancy services on credit.
- h) May 23, paid 300/= for this month telephone bill.

Required: Record this transaction in the ledger accounts and balance them off

(10 marks)

Question Three

- a) Describe four cash books in an organization (4 Marks)
- b) The following information is given from the books of Chuka Enterprises.

2008

Mar	1	Balances brought forward: Cash Kshs 230; Bank Kshs.4,756.
“	2	The following paid their accounts by cheque, in each case deducting 5 percent discounts: R Burton Kshs.140; E Taylor Kshs.220; R Harris Kshs.800.
“	4	Paid rent by cheque Kshs.120.
“	6	J Cotton lent us Kshs.1,000 paying by cheque.
“	8	We paid the following accounts by cheque in each case deducting a 2 ½ percent cash discount: N Black Kshs.360; P Towers Kshs.480; C Rowse Kshs.300.
“	10	Paid motor expenses in cash Kshs.44.
“	12	H Hankins pays his account of Kshs.77, by cheque Kshs.74, deducting Kshs.3 cash discount.
“	15	Paid wages in cash Kshs.160.
“	18	The following paid their accounts by cheque, in each case deducting 5 percent cash discount: C Winston Ksh.260; R Wilson & Son Kshs.340; H Winter Kshs.460.
“	21	Cash withdrawn from the bank Kshs.350 for business use.
“	24	Cash Drawings Kshs.120.
“	25	Paid T Briers his account of Kshs.140, by cash Kshs.133, having deducted Kshs.7 cash discount.
“	29	Bought fixtures paying by cheque Kshs.650.
“	31	Received commission by cheque Kshs.88.

Required: A three column cash book

(16 marks)

Question Four

a) Explain the objectives of accounting

(4 marks)

b) Mcheshi Limited operates a computerized accounting system for its sales and purchases ledgers. The control accounts for the month of September 2009 are in balance and incorporate the following totals:

	Kshs.
Sales ledger:	
Balances at 1 September 2009:	396,430
Debit	
	190
Credit	
Sales	164,194
Cash received	158,268
Discounts allowed	2,160
Sales returns inwards	490
Credit balances at 30 September 2009	375
Purchases ledger:	
Balances at 1 September 2009:	184,740
Credit	
	De 520
bit	
Purchases	98,190
Cash payments	104,040
Discounts received	995
Purchases returns outwards	1,371
Debit balances at 30 September 2009	525

Although the control accounts agree with the underlying ledgers, a number of errors have been found, and there are also several adjustments to be made. These errors and adjustments are detailed below:

1. Four sales invoices totaling Kshs.1,386 have been omitted from the records.
2. A cash refund of Kshs.350 paid to a customer, A Smith, was mistakenly treated as a payment to a supplier, A Smith Limited.
3. A contra settlement offsetting a balance of Kshs.870 due to a supplier against the sales ledger account for the same company is to be made.
4. Bad debts totaling Kshs.1,360 are to be written off.
5. During the month, settlement was reached with a supplier over a disputed account. As a result, the supplier issued a credit note for Kshs.2,000 on 26 September. No entry has yet been made for this.
6. A purchases invoice for Kshs.1,395 was keyed in as Kshs.1,359.
7. A payment of Kshs.2,130 to a supplier, B Jones, was mistakenly entered to the account of R Jones.
8. A debit balance of Kshs.420 existed in the purchases ledger at the end of August 2009. The supplier concerned cannot now be traced and it has been decided to write off this balance.

Required:

Prepare the sales ledger and purchases ledger control accounts as they should appear after allowing, where necessary, for the errors and adjustments listed.

(16

marks)
