

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

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

**BCOM 111: PRINCIPLES OF ACCOUNTING**

**STREAMS: Y1S1**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 6 /07/ 2021**

**11.30 AM – 1.30 PM**

#### INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.
- Do not write on the question paper

#### QUESTION ONE

- a) Explain the following accounting concepts and for each explain their implications in the preparation of financial statements
- (i) Going concern assumption [3 Marks]
- (ii) Business entity assumption [3 Marks]
- (iii) Revenue Realization principle [3 Marks]
- b) The following Trial balance was extracted from the books of High-Tech traders, a sole trader as at 31<sup>st</sup> Dec 2020.

	Dr	Cr
Capital		4,400,000
Premises	3,000,000	
Purchases	11,500,000	
Sales		21,102,000
Trade Debtors	2,100,000	
Trade Creditors		1,020,000
Plant & Machinery at cost	5,000,000	
Provision for depreciation : plant machinery		500,000
Salaries & wages	2,624,000	

BCOM 111

Postage & stationery	85,000	
Carriage inwards	125,000	
Carriage outwards	60,000	
Inventory (1/1/2020)	1,800,000	
Cash at bank	418,000	
Returns inwards	102,000	
Returns outwards		300,000
Cash in hand	184,000	
Bad debts	57,000	
Drawings	200,000	
Provision for doubtful debts		23,000
Office general expenses	<u>90,000</u>	
	<u>27,345,000</u>	<u>27,345,000</u>

**Additional information:**

- (1) The closing inventory as at 31<sup>st</sup> Dec 2020 was valued at sh.2,160,000.
- (2) Provision for debtors debts is to be adjusted to 2.5% of trade debtors.
- (3) High –Tech traders has rented out part of its business premises and a rent receivable of sh.500,000 is due for the period ending 31<sup>st</sup> Dec 2020.
- (4) Office expenses prepaid as at 31<sup>st</sup> Dec 2020 was sh.10,000.
- (5) Salaries and wages outstanding as at 31<sup>st</sup> Dec 2020 amounted to sh.100,000.
- (6) Depreciation is provided for premises at 2% on straight line basis while for plant & machinery at 10% on reducing balance method.

**Required:**

- (i) Income statement for the year ended 31<sup>st</sup> December 2020. [10 Marks]
- (ii) Statement of Financial position as at 31<sup>st</sup> Dec 2020. [7 Marks]
- c) Write short note to distinguish between provisions and reserves. [4 Marks]

**QUESTION TWO**

- a) The following categories of people are recognized as users of information contained in financial, statements:
  - (1) Owners
  - (2) Financial Analysis
  - (3) Lenders

For each of the above users, identify the kind of information they may require and why they require it. [9 Marks]

b) The following is a summary of transactions from ledger Accounts of Bidii enterprises for the year ended 31<sup>st</sup> Dec 2019

Balances on 1 Jan 2019:

Sales ledger:	Credit	26, 550
	Debit	4,550
Purchases Ledger:	Credit	43,450
	Debit	6,450

Transactions during the year:

Sales :	Cash	420,400
	Credit	568,180
Purchases:	Cash	22,900
	Credit	496,600
Total receipts from credit customers		600,200
Total payment to credit suppliers		504,980
Discount allowed		5,420
Discount received		3,620
Refund given to cash customers		5,020
Bad debts written off		800
Credit notes issued to credit customers		4,010
Credit notes received from credit suppliers		1,520
Balances as at 31 <sup>st</sup> Dec 2019:		
Credit balance in the sale ledger		11,000
Debit balance in the purchases ledger		10,200

**Required:**

- (i) Sales ledger control Account [6 Marks]
- (ii) Purchases ledger control Account [5 Marks]

**QUESTION THREE**

a) Makao a sole trader in Chuka town started business on 1<sup>st</sup> June 2020. The following transactions relate to that month.

Date: June 2017

- 1<sup>st</sup> : Started business with capital of sh.300,000 in which he deposited sh.200,000 into the bank account & kept the balance in cash.
- 2<sup>nd</sup> : Bought goods on credit from Mwau sh.45,000 and kefa sh.42,000
- 4<sup>th</sup> : Sold goods for cash sh.33,000 and on credit sh.13,000
- 10<sup>th</sup> : Bought stock worth 63,000 and issued a cheque for payment.
- 17<sup>th</sup> : Purchased on old Motor vehicles by cheque sh.24,000
- 20<sup>th</sup> : Paid commission by cheque sh.2000
- 22<sup>nd</sup> “ Received a cheque of 13,000/= from one of he Debtors.
- 23<sup>rd</sup> : Paid rent by cheque sh.10,000
- 28<sup>th</sup> : Paid wages by cash sh.10,000 and sh.5000 by cheque
- 29<sup>th</sup> : Withdrew sh.3,000 from bank for office use.

**Required:**

Post the above transactions to the relevant ledger accounts and balance them off. [14 Marks]

b) Explain any three branches of accounting. [6 Marks]

**QUESTION FOUR**

a) (1) Discuss three limitations of accounting ratios in a business. [6 Marks]

(2) Explain five types of accounting errors that could not be reflected in a trial balance. [10

Marks]

(3) Outline any two source documents used by businesses. [4 Marks]

.....

