

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF PROCUREMENT AND LOGISTICS MANAGEMENT

BPLM 171: PRINCIPLES OF ACCOUNTING

STREAMS: BPLM (ODEL)

TIME: 2 HOURS

DAY/DATE: FRIDAY 12/4/2024

8.30 A.M. –10.30 A.M.

INSTRUCTIONS: Answer question One and any other Two

1. (a) Explain five external users of accounting information and their specific needs.(10 marks)
- (b) The following balances were extracted from the books of Gideon Sifa, who runs a car wash business. He has no knowledge of double entry book keeping but records everything correctly. The following balances relate to the year ended 30th September 2023.

	Sh. '000'
Revenue	35,288
Account payable	200
Account receivable	440
Cash balance	70
Equipment	1,500
Salaries and wages	21,200
Car repairs	460
Miscellaneous expenses	220
Insurance	700
License fee paid	1050
Stationery	100
Bank balance	4,690
Closing inventory	6,800

Capital 1,332

Gideon Sifa has not included the following items in her records:

- 1) As at 30th September 2023 Bank charges amounted to sh.90,000
- 2) As at 30th September 2023 Insurance amounting to sh. 100,000 was pre-paid
- 3) Provision for doubtful debt amount to 50% of the amount owing at 30th September 2023 was provided
- 4) License fees paid amounting to 500,000 relates to the year ended 30th September 2020
- 5) Equipment is to be depreciated over two years with no residual value.

Required:

- i) Statement of profit and loss for the year ended 30th September 2023
- ii) Statement of financial position as at 30th September 2023.

(20 marks)

2. (a) Describe any three branches of accounting.

(6 marks)

(b) On 31st December 2022, the cash book of Kamau showed a balance of sh.8100. The bank statement however showed a balance of sh. 6,700. Doing investigation the following errors were found;

- i) A cheque payment of sh.2000 to Omolo had been entered in error sh. 200 in the cashbook.
- ii) The bank received directly sh.100 from EABL as dividends on 18th December on behalf of Kamau.
- iii) Bank charges amounting to sh. 100 had not been entered into the cashbook.
- iv) A cheque received from Umoja Ltd on 1st December for sh. 600 and entered into the cashbook did not appear in the bank statement.
- v) A cheque paid to E. Tamara sh.700 on 25th December had not been presented.
- vi) A cheque received from M. Moko on 24th December sh. 600 and entered into the cashbook was returned dishonoured. No entry in this regard was recorded in the cashbook.

Required:

- (a) Move necessary entries to update the cashbook
- (b) Prepare bank reconciliation statement for Kamau for the month of December 2022.

(14 marks)

3. (a) Explain three accounting errors not affecting the trial balance.

(6 marks)

(b) The following information relates to XYZ Ltd concerning errors committed in its accounts.

- i) Bank charges sh.3850 had been debited to rent account.
- ii) Commissions received sh.44000 had been credited to rent receivable account
- iii) Completely omitted from to book of accounts is a payment of sundry expenses by cheque sh.1150
- iv) Purchase of fixtures sh. 23700 had been entered in purchases account
- v) Sales in cash was recorded in the books as 648,000 instead of 684,000
- vi) Return inwards of sh.41650 had been entered on debit side of the return outwards account.
- vii) Credit sales of sh.24,000 was recorded as sh.240.00

Required:

- i) Show the journal entries required to correct the following errors. (showing naratives) (14 marks)
4. (a) Describe three qualities of useful accounting information. (6 marks)
- (b) Lucy and Joy are in partnership or general traders. The following balances were extracted from the books as at 31st March 2022.

	Dr.	Cr.
Capital account balance as at 1 st April 2021:		
Lucy		30,000
Joy		10,000
Current account balance as at 1 st April 2021		
Lucy		3,000
Joy		5,000
Sales		150,000
Inventory as at 1 st April 2021	30,000	
Wages	14,500	
Rent	5,000	
General expenses	3,000	
Electricity	1,200	
Trade receivable	14,000	
Trade payable		10,800

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Carriage outwards	5,300	
Drawings: Lucy	7,000	
Joy	9,000	
Cash in hand	4,500	
Equipment (NB: as at 1 st April 2021	6,000	
Purchases	<u>109,300</u>	
	<u>208,800</u>	<u>208,800</u>

Additional information

- 1) Profit and losses should be shared equally between the partners after
 - (i). Allowing annual salaries of sh. 2 million to Lucy and 4 million to Joy
 - (ii). Allowing interest of 5% per annum on the balance of each partner's capital account
 - (iii). Charging Lucy sh. 200,000 and Joy sh.300,000 interest on drawings.
- 2) The balances on the capital shall remain unchanged, all adjustments being recorded in the current account.
- 3) Depreciation on equipment is to be provided at a rate of 25% per annum on reducing balance basis
- 4) Closing inventory is valued at sh. 40 million.

Required:

- i) Income and appropriation statement for the year ended 31st March 2022
- ii) Statement of financial position as at 31st March 2022.

(14 marks)

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