CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA & EMBU

FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE AND HOTEL MANAGEMENT

BCOM 111: PRINCIPLES OF ACCOUNTING I

STREAMS: BCOM (Y1S1) TIME: 2 HOURS

DAY/DATE: TUESDAY 11/04/2023 2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- **Answer question ONE and any other TWO questions**
- **Do not write on the question paper**

QUESTION ONE

(a) Explain five external users of accounting information and their specific needs. [10 marks]

(b) The following trial balance was extracted form the books of Kienyeji Traders, sole trader as at 30 September 2022.

Account	Dr. Sh. '000'	Cr. Sh. '000'
Capital		4,400
Premises	3,000	
Purchases	11,500	
Sales		19,902
Trade receivables	2,100	
Trade payables		1,020
Plant and machinery	5,000	
Provision for depreciation: Plant & machinery		500
Salaries and wages	2,624	
Postage and stationery	105	
Carriage inwards	105	
Carriage outwards	60	
Opening inventory	1,800	
Retained profit		1,200
Cash at bank	318	
Cash in hand	84	
Bad debts	57	
Drawings	200	
Allowance for doubtful debts		21
Office general expenses	90	
	27,043	27,043

Additional information:

1. The closing inventory as at 30th Sep 2022 was valued at sh. 2,160,000
2. Allowance for doubtful debts is to be adjusted to 3% of trade receivables
3. Safari Traders has rented out part of its business premises and a rent receivables of sh. 500,000 is due for the period ending 30th September 022.
4. Office expenses prepaid as at 30th Sep 2022 was sh. 10,000
5. Salaries and wages outstanding as at 30th September amounted to sh. 100,000
6. Depreciation is provided for premises at 4% on straight line basis while for plant and machinery at 15% on reducing balance method

Required

(i) Statement of income for the year ended 30 September 2022 [11 marks]

(ii) Statement of financial position as at 30 September 2022 [9 marks]

QUESTION TWO

(a) Explain the following accounting terms and for each explain their implication in the preparation of financial statements:

(i) The going concern assumption [3 marks]

(ii) Business entity assumption [3 marks]

(iii) Materiality [3 marks]

(b) The following information was provided as trade transactions for the month of May 2022 from the books of accounts where you are working as an assistant accountant.

May 2022	Trade transactions narrations
1	Business capital deposited in business bank account 6,000,000
1	Purchase of fixtures by cheque sh 950,000
2	Purchase of goods and paid by cheque sh 1,240,000
3	Cash sales sh 407,000
4	Paid rent in cash sh 200,000
5	N. Mogeni paid sh 210,000 by cheque after being allowed sh 10,000 as discount
7	Paid R. Tande sh 80,000 by cheque thus allowed 5% discount
9	Received a cheque of sh. 380,000 from M. Sokoine, having been discount of sh. 20,000
12	Paid rates by cheques sh 410,000
14	D. Omutata pays by cheque sh 115,000
16	Paid T. Nyambene by cash 114,000 afer receiving a 5% discount
20	P. Nembure pays a cheque of sh 78,000 after deducting sh 2,000 cash discount
24	Credit sale of sh 79,000
31	Cash sales paid directly into bank sh 88,000

Required:

Prepare a three column cash book balanced off at the end of the month [11 marks]

QUESTION THREE

(a) Discuss any three branches of accounting [6 marks]

(b) A book keeper extracted a trial balance on 31st December 2021 which failed to balance by sh. 330,000, shortage on the credit side of trial balance. A suspense account was opened on the same date. In the following year, January 2022 the Chief Accountant checked the books and the following errors were detected:

(i) Sales daybook had been undercast by sh 100,000

(ii) Sales of sh 250,000 to J Cantrell had been debited in error to J Cochrane's account

(iii) Rent account has been undercast by sh 70,000

(iv) Discount received account had been undercast by sh 300,000

(v) Sale of a motor vehicle at book value has been credited in error to sales account sh 360,000

Required:

(a) Show the journal entries necessary to correct the errors. [5 marks]

(b) Draw up the suspense account after the correction of the errors. [5 marks]

(c) Outline any four limitations fo accounting ratios [4 marks]

QUESTION FOUR

(a) Explain four reasons for maintaining control accounts [4 marks]

(b) The following information has been extracted from the books of Matata Traders limited for the month of April 2022

			Sh.
Sales ledger	–	Debit balances	838,000
	-	Credit balances	184,000
Purchases ledger	–	Debit balances	196,000
	-	Credit balances	598,000
Transactions during the month:			
Sales on credit			8,784,000
Purchases on credit			7,849,000
Returns inwards			248,000
Returns outwards			179,000
Cheques received from trade debtors			2,968,000
Cash paid to trade creditors			4,674,000
Bad debts written off			1,393,000
Discounts allowed to trade debtors			162,000
Discounts received from trade creditors			231,000
Credit sales off-set against credit purchase (contra purchase)			356,000
Credit purchases of a motor vehicle posted in the purchases ledger			598,000
Dishonored cheques from trade debtors			193,000
Cash received to replace dishonored cheques from trade debtor			106,000
An invoice to trade debtors of sh. 174, 000 posted as			147,000
Balances as at 30 April 2022:			
Sales ledger credit balances			123,000
Purchases ledger debit balances			177,000

Required:

(i) Sales ledger control account for the month ended 30 April 2022 [8 marks]

(ii) Purchases ledger control account for the month ended 30 April 2022 [8 marks]
