CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

FIFTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR SCIENCE IN ELECTRICAL AND ELECTRONIC ENGINEERING

BUSN 512: ENGINEERING MANAGEMENT

STREAMS: BSC (EENG) **TIME: 2 HOURS**

DAY/DATE: TUESDAY 18/4/2023 **11.30 A.M. – 1.30 P.M.**

INSTRUCTIONS: Answer Question One and Any Other Two Questions

QUESTION ONE

a) The following information is provided by Perpetua enterprises for the transactions done in the month of December 2021.

Date	Particulars
1st	Capital brought in Sh 1,400,000 out of which Sh 1,000,000 was deposited in business bank account and balance in cash till.
3rd	Purchase of stock from Kokoto in cash Sh 150,000 after cash discount of 10%, Peter by Cheque Sh 140,000 and credit from Mwende Sh. 120,000
6th	Purchase of Motorbike for business use by cheque Sh 99,000 from Honda Motors.
10th	Sale of goods to Mwanjau in cash, gross amount Sh 122,000 and gave trade discount of Sh 2,000, and cash discount of 5% to Otieno Sh 100,000 in cash.
13th	Purchase of motorbike in cash Sh 110,000 out of which cash discount of Sh 5,000 was given.
16th	Purchase of stock from Mwanyumba on credit Sh 144,000, Moraa Sh 80,000 in cash out of which cash discount of 5% was given and by cheque

Sh 124,000 out of which a cash discount of 5% was given.

18th Paid Mwende for full settlement of debt owed Sh 118,000

20th Sold in cash motorbike for Sh 99,000 to Kababa

21st Received commission Sh 160,000 in cheque and same date paid rent Sh 60,000 for business premises in cash.

23rd Paid commission by cheque sh 81,000

26th Paid Mwanyumba by cheque sh. 144,000

27th Deposited into bank sh 57,000

28th Sale of goods in credit to Mwangala sh 24,000

29th Mwangala paid by cheque 20,000

30th Withdrew from bank to pay rent for his home residence sh 47,000

Required: at the end of the month: Prepare a three column cash book. (10 marks)

b) Explain the main objectives of accounting in construction companies. (5 marks)

c) The accounting profession has for a long time relied on certain accounting conventions to guide accounting practice. Discuss the following principles giving examples for each principle.

i) The business entity principle (3 marks)

ii) The historical cost principle (3 marks)

iii) The monetary principle (3 marks)

iv) The matching principle (3 marks)

v) The consistency principle (3 marks)

QUESTION TWO

a) The following trial balance was extracted from the books of Ntulele Enterprises as at 30th June 2020

Particulars	DR(000)	CR(000)
Sales		12,150
Inventory	918	
Cash at bank	540	
Discounts	90	304
Capital		491
Water and electricity	11	
Current deposits	22	
Motor vehicle at cost	350	
Free hold land and building at cost	1,410	

Purchases	10,406	
Commission received		20
Debtors and creditors	818	1,700
Fixtures and fittings at cost	90	
Drawings	95	
Provisions for bad debts		37
Bad debts	35	
Salaries and wages	58	
Carriage outwards	96	
Carriage inwards	116	
Returns	22	19
20% Uzuri Sacco loan		420
Loan Interest	63	
Office expenses	45	
Rents and rates	105	
Cash in hand	8	
Provision for depreciation: Motor vehicle		140
Furniture & fittings		17
Total	15,298	15,298

Additional information:

1. Inventory was valued at sh 800,000
2. Prepaid rent amounted to sh 42,000
3. Provisions for bad debts to be adjusted to 5% on trade debtors
4. The proprietor had taken goods of sh 41,000 for his domestic use
5. Further amount of sh 10,000 is to be written off as bad debts
6. Provisions for depreciation to be provided as follows:-
   a. Motor vehicle 20% on straight line
   b. Fixtures and fittings at 10% on reducing balance.
7. Electricity for the month of June 2016 amounting to sh 8,000 was paid on 3rd July 2016.
8. Loan interest of sh 21,000 has not yet been paid.

Required:

a. Income account for the year ended 31st December 2020. (12 marks)

b. Statement of financial position as at the same date. (8 marks)

QUESTION THREE

a) There are various users of accounting information who need the information to make informed decisions. Discuss five users of accounting information and highlight the need for the information. (5 marks)

b) The trial balance for ABC limited for the year ended 31st December, 2020 has failed to agree with the total debits exceeding the credits with sh 47,000 which was entered in a suspense account. On investigation by the internal auditor, the following errors were discovered;

1) The electricity account has been overcast by sh. 72,000.
2) Purchases account had been under cast by sh. 35,000.
3) Purchases of sh 160,000 from Betty on credit had been credited in error to Veronica account.
4) Cash received from debtor sh. 35,000 had been entered in the books as sh. 53,000
5) The accountant completely omitted cash sh 7,000 paid to credit Mwende
6) A purchase of machinery for sh 70,000 was entered in purchases account

Required:

i) Journal entries to correct the above errors. (9 marks)

ii) Duly Balanced suspense Account (3 marks)

c) Differentiate between financial accounting and management accounting. (3 marks)

QUESTION FOUR

a) Explain the limitations of using ratios in interpreting financial statements. (5 marks)

b) Explain five types of errors that affect and those that do not affect a trial balance. (10 marks)

c) Discuss the importance of preparing control accounts in construction companies. (5 marks)

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