CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS
EMBU CAMPUS
EXAMINATION FOR THE AWARD OF BACHELOR OF COMMERCE
BCOM 111: PRINCIPLES OF ACCOUNTING I
STREAMS: BCOM **TIME:2 HOURS**
DAY/DATE: THURSDAY 07/08/2025 **11.30A.M. –1.30 P.M**

INSTRUCTIONS

Answer question one and any other two questions

QUESTION ONE

a) A new business owner at Nairobi County wants to understand how financial accounting will help them manage and grow their business. Analyze five principles and functions of financial accounting apply in real world business setting (10 marks)

b) The following trial balance was extracted from the books of Kennedy a sole trader as at 31 December 2024.

	Debit Sh "000"	Credit Sh "000"
Sales		138,078
Purchases	82,350	
Carriage	5,144	
Drawings	7,940	
Rent, rates and insurance	6,622	
Postage and stationary	3,001	
Advertising	1,330	
Salaries and wages	26,420	
Bad debts	877	
Allowance for doubtful debts		130
Trade receivables	12,120	
Trade payables		6,471
Cash in hand	177	
Cash at bank	1,002	
Inventory as at 1 January 2024	11,927	
Equipment at cost	58,000	
Accumulated depreciation - equipment		19,000
Capital		53,091
Totals	**216,770**	**216,770**

Additional Information:

1. Rent is accrued by Sh 210,000 and rates have been prepaid by Sh 880,000
2. Sh 2,211,000 of the carriage amount represents carriage inwards on purchases
3. Equipment is to be depreciated at 15% per annum using straight line method
4. Allowance of doubtful debts is to be increased by Sh 40,000
5. As at 31 December 2024, inventory was valued at Sh 13,551,000

Required:

I. Statement of income as at 31 December 2024 (12 marks)

II. Statement of financial position as at 31 December 2024 (8 marks)

QUESTION TWO

a) You are given the following transactions of Mr Allan for June 2025.

Date	Particulars
June 1	Cash in hand Ksh 15,000 and bank balance Ksh 10,000
June 2	Paid rent in cash Ksh 2,000
June 3	Received Ksh 4,900 from Brian in full settlement of Ksh 5,000
June 5	Deposited Ksh 6,000 into bank
June 7	Received cheque from Global Ksh 9,700 after allowing him a discount of Ksh 300
June 9	Paid Ksh 4,800 by cheque to Manish who allowed a discount of Ksh 200
June 12	Withdrew Ksh 2,500 from bank for office use
June 15	Received cash Ksh 1,900 from Sita and allowed Ksh 100 discount
June 18	Paid Ksh 1,950 to Ajay in full settlement of Ksh 2,000
June 25	Bank credited interest Ksh 250
June 30	Paid electricity bill by cheque Ksh1,500
June 30	Sold goods on credit to Jay Ksh 2,000
June 30	Bought goods on credit from Josh Ksh 4,000

Required:

A three-column cash book for Mr Allan for June 2025 (12 marks)

b) Grainers Manufacturing Ltd does not record depreciation for several years on its factory plant and equipment. Elaborate four possible consequences to the entity (8 marks)

QUESTION THREE

a) The following transactions relate to the month of March 2025 for Tariq Traders:

1. Opening balance (1 March 2025):
   Sales ledger control account (debit) Ksh 1,200,000

Purchases ledger control account (credit) Ksh 800,000

2. Transactions during March:
   Credit sales Ksh 2,500,000
   Credit purchases Ksh 1,800,000
   Cash received from debtors Ksh 2,200,000
   Cash paid to creditors Ksh 1,500,000
   Sales returns from credit customers Ksh 100,000
   Purchases return to creditors Ksh 150,000
   Discounts allowed to debtors Ksh 50,000
   Discounts received from suppliers Ksh 30,000
   Bad debts written off Ksh 40,000
   Contra entry between ledgers Ksh 20,000

Required:

Prepare the sales ledger control account and purchases ledger control account for the month ended 31 March 2025 (12 marks)

b) A trial balance may still balance irrespective of errors. Analyze four errors that do not affect the balancing of the trial balance. (8 marks)

QUESTION FOUR

a) The following errors were found in the books of XYZ Ltd after the trial balance was prepared and it did not agree:
   1. A payment of Ksh 1,200 for office rent was wrongly debited to the wages account.
   2. Goods worth Ksh 500 returned by a customer were not recorded in the books.
   3. A sale of Ksh 2,000 was recorded in the sales book as Ksh 200.
   4. A cheque of Ksh 1,500 received from Amos was correctly entered in the cash book but was omitted from Amos's account.
   5. The purchase daybook total was overcast by Ksh 100.

   Required:

   Journal entries to rectify the following errors (narrations not required) (10 marks)

b) Organizations use ratio analysis to analyze financial statements. Elaborate five types of Ratios (10 marks)

-