CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF CERTIFICATE OF PROCUREMENT AND LOGISTICS MANAGEMENT

CPLM 00141: PRINCIPLES OF ACCOUNTING

STREAMS: CPLM (Y1S2) (ODEL) TIME: 2 HOURS

DAY/DATE: WEDNESDAY 07/08/2024 2.30 P.M. – 4.30 P.M.

INSTRUCTIONS

- **Answer question one and any other two**

Question one

a) Explain Five users of accounting information and their specific needs (5 marks)

b) Explain FIVE branches of Accounting (5 marks)

c) The following balances were extracted from the books of Bora Traders as at 31st Dec 2022.

	Sh	Sh
Capital		2,364,000
Drawings	270,000	
Trade receivables	405,000	
Trade payables		135,000
Return inwards	32,000	
Returns outwards		49,000
Wages & salaries	423,000	
Rent and rates	22,000	
Discount received		38,000
Office equipment (at cost)	690,000	
Purchases	140,000	
Motor vehicles (at cost)	350,000	
Provision for depreciation (1 January 2022)		
Office equipment		26,000
Motor vehicles		72,000

Discount allowed	32,000	
Sales		232,000
Bank		18,000
Inventory (1 January 2022)	570,000	
	2,934,000	**2,934,000**

Additional information:

1. Inventory as at 31 December 2022 was valued at Sh.558,000
2. Rent and rates paid in advance as at 31st December 2022 amounted to Sh.5,000
3. Wages and salaries accrued as at year end amounted to sh.50,000
4. Depreciation is provided on office equipment at 10% on cost at a straight-line basis while for motor vehicle at 20% on a reducing balance basis.
5. Allowance for doubtful debts is maintained at 5% of trade receivables

Required:

i) Statement of income for the year ended 31st December 2022 (12 marks)

ii) Statement of financial position as at 31st December 2022. (8 marks)

QUESTION TWO

a) Explain the four key qualities of useful accounting information (8 marks)

b) Haraka Upesi has been a sole trader for two years. On 1st January 2023 he had sh 20,000 cash in hand and sh170,000 cash at bank. The following transaction took place during the month of January 2023

January 2. Sold goods on credit to F.Mwirigi of sh. 14, 000

January 3. Bought goods on credit from P.Muthoni of sh. 9,000

January 10. Bought goods by cheque amounting to sh.30, 000

January 12. Paid P. Muthoni by cheque after deducting 5% of cash discount

January 14. Paid salaries in cash amounting to sh.6, 000

January 16. Damaged goods returned by F. Mwirigi worth 3,000

January 18. Received notification from the bank of sh. 11,000 for a direct deposit from F.mwirigi

January 19. Goods sold to Masai whose price was sh. 15, 000 at a 15% cash discount

January 28. Banked 4000 cash from the till

Required:

Three-column cashbook recording the above transactions (8 marks)

b) Explain the causes of depreciation to assets (4 marks)

QUESTION THREE

a) Explain Four errors that do not affect the Trial Balance (4 marks)

b) Explain any Four accounting concepts among the assumptions, principles and convections (8 marks)

c) Your book-keeper extracted a trial balance on 3 December, 2021 which failed to agree by Kshs.330, a shortage on the credit side of the trial balance. A suspense account was opened for the difference.

In January 2022, the following errors made were found

i. Sales day book had been under cast by 700.
ii. Sales of 250 to J. Kariuki on credit had been debited in error to M. Kariuki's account
iii. Rent Expense account had been under cast by 70
iv. Discount received accounts had been overcast by 300
v. The sale of a motor vehicle had been credited in error to sales account Kshs.360

Required:

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

b. Draw up the suspense account after the errors described have been corrected (3 marks)

QUESTION FOUR

a) Kamau started a business on 1st July 2020 with capital Shs. 150,000 in cash. The following transactions took place during the month:

July 1	Opened a bank account and deposited cash Shs. 50,000.
July 2	Bought stock of goods by cash Shs. 80,000.
July 5	Bought Equipment Shs. 5,000 by cheque.
July 10	Sold goods for cash Shs. 12,000
July 15	Bought goods on credit from Janet Shs. 15,000
July 20	Paid wages by cheque Shs. 10,000
July 25	Sold goods Shs. 50,000 on Credit to Makena.
July 31	Paid Janet cash Shs. 3,000.

Required

Record the above transactions in the relevant accounts, balance off the accounts and extract a trial balance as at 31st July 2020 (20 marks)

……………………………………………………………………………………………………