

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BPLM 171: PRINCIPLES OF ACCOUNTING

STREAMS: BPLM Y1S2

TIME: 2 HOURS

DAY/DATE: THURSDAY 13/04/2023

8.30 A.M. –10.30 A.M.

INSTRUCTIONS

Answer Question One and any other TWO questions

Question One

a) Explain the following accounting concepts:

- | | |
|--------------------|-----------|
| i. Historical cost | (2 marks) |
| ii. Objectivity | (2 marks) |
| iii. Going concern | (2 marks) |
| iv. Matching | (2 marks) |
| v. Conservatism | (2 marks) |

b) The following trial balance was extracted from the books of Cheka Business, a sole trader in Mombasa.

Trial Balance As at 31 st December 2018		
	Dr	Cr
Sales		427, 726
Purchases	302, 419	
Carriage Inwards	476	
Carriage outwards	829	
Wages & Salaries	64, 210	
Returns	700	900
Rates & rent	12, 466	

Heat & Lighting	4,057	
Stock at 1/1/2018	15,310	
Drawings	21,600	
Equipment at cost	103,000	
Motor van at cost	43,270	
<u>Provision for depreciation</u>		
Equipment		22,250
Motor van		5,020
Debtors/Creditors	50,633	41,792
Bank	3,295	
Sundry expenses	8,426	
Cash	477	
Capital		133,480
	<u>631,168</u>	<u>631,168</u>

Additional information:

- i. Ksh 350 is accrued for heat & light.
- ii. Shs. 620 has been prepaid for rent and rates.
- iii. Depreciation is to be provided for the years as follows.
 - Equipment- 10% on cost
 - Motor vehicle- 20% on reducing balance
- iv. Closing stock was valued Ksh. 16,480.
- v. Provision for doubtful debts is to be made at 5% of debtors.

Required

- i. Prepare the Income Statement for the year ended 31st December 2018. (12 marks)
- ii. Prepare a Balance Sheet as at 31st December 2018. (8 marks)

Question Two

- a) For the year ended Dec 31st 2021, Timothy Kipkobei reported the trial balance failed to balance and a suspense account was opened and credited with sh 29,000

Subsequently the following accounting errors were detected.

- i. A page in the purchase day book had been added Kshs 140,800 instead of 104,800.
- ii. Ksh 4,500 paid to Millie, trade creditor has not been posted to her account.
- iii. Three months' rent of Ksh 6,000, remaining unpaid has not been accounted for.

- iv. Discount allowed of Ksh 2, 500 had been entered in the cash book but not posted to the ledger accounts.
- v. A purchase of a computer worth Ksh 38, 000 had been wrongly entered in the purchases day book.
- vi. A cheque for shs 3,154 paid to a creditor had been entered in the cash book as 3, 514 and has subsequently been posted to the ledger account as 3, 514.

Required

- i) Pass journal entries to correct the errors above. (6 marks)
- ii) Write and balance the suspense account (4 marks)
- b) Briefly explain five external users of accounting information and their information needs (5 marks)
- c) Explain five errors that do not affect the trail balance (5 marks)

Question Three

The following information relates to Otieno Kipiyo Printing business in Kisumu as at 31st December 2021.

Trial Balance As at 31st December 2021

	Dr	Cr.
Capital		160, 000
Cash	12, 000	
Bank	40, 000	
Revenues		125, 000
Account Receivables	34, 000	
Account Payable		21, 000
Rent	50, 000	
Wages	60, 000	
Office Equipment	40, 000	
Computers	70, 000	
	306, 000	306, 000

The following transactions were made in the month of January 2022:

- 1st Made additional investment into the business with cash Ksh 50,000
- 4th Offered printing service to a customer on account for Ksh 20, 000
- 5th Deposited Ksh 10,000 in business bank account
- 7th Paid rent by cheque ksh 2, 000
- 9th Purchased office equipment on credit worth Ks 9, 000

15th Debtors for transaction on Jan 4th paid half of their account by cheque.

25th Paid wages by cash ksh 3, 000

28th Made part payment Ksh 4, 500 for office equipment bought on account.

Required

a) Record the transactions in the journal for the month of January. (8 marks)

b) Post the journal entries into the relevant ledger accounts. (12 marks)

Question Four

a) Explain the need for control accounts in an organization (5 marks)

b) The following information has been extracted from the accounts of Maua Rice Millers for the year ended 31 Dec 2020.

Profit statement for the year ended 31st Dec 2020	2001
Sales	115, 000
Costs of goods	<u>(70, 800)</u>
Gross profit	44, 400
Less Trading expenses	<u>(20, 700)</u>
Net profit before tax	23, 700
Less: tax	<u>(11, 520)</u>
Net profit after tax	12, 180

Balance sheet as at 31 Dec 2020

Assets	
Fixed assets	44, 400
Less depreciation	<u>(9, 000)</u>
	35, 400

Current assets

Stock	19, 800	
Debtors	12, 600	
Cash	2, 340	
Less current liabilities		
Creditors	7, 200	
Taxation	11, 520	
Accruals	6, 300	
		<u>(25, 020)</u>
		<u>45, 120</u>

Required:

Compute the following ratios given that the opening stock is sh 18, 000

Net profit ratio (2 marks)

- Gross profit ratio (2 marks)
- Stock Turnover (2 marks)
- Current Ratio (2 marks)
- Acid test ratio (2 marks)
- c) Explain four cause of depreciation to non-current assets (4 marks)
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