



KABARAK UNIVERSITY

UNIVERSITY EXAMINATIONS

2010/2011 ACADEMIC YEAR

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: ACCT 110

COURSE TITLE: FOUNDATIONS OF ACCOUNTING I

STREAM: Y1S1

DAY: WEDNESDAY

TIME: 9.00 – 11.00 A.M

DATE: 23/03/2011

INSTRUCTIONS:

This paper contains four questions

1. Answer **ALL** questions
2. Be clear and neat and show the necessary workings
3. Begin a new question on a new page

PLEASE TURNOVER

QUESTION ONE

- a) The following trial balance has been extracted from the books of Punda Milia (PM), a sole trader, as at 31st December 2010.

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Additional information:

- (i) Stock as at 31st December 2010 shs 351,000
- (ii) Wages and salaries accrued at 31st December 2010 shs 9,000
- (iii) Rent prepaid at 31st December 2010 shs 14,000
- (iv) Van running costs owing at 31st December 2010 shs 6,000
- (v) Increase the provision for bad and doubtful debts by shs 6,000
- (vi) Provide for depreciation as follows: office furniture shs 18,000, Delivery van shs 48,000

Required:

Prepare Punda Milia's (PM's) statement of comprehensive income the year ended 31st December 2010 and a statement of financial position as at that date **(20 marks)**

QUESTION TWO

- a) State the major causes of the differences between the cash book bank balance and the bank statement balance **(6 marks)**
- b) Explain the necessity for a bank reconciliation statement **(3 marks)**
- c) The following information has been extracted from the books of Warthog, a sole trader, as at 30th June 2010

Cash Book (Bank columns before balancing on 30:06:2010)

2010			Shs.	2010			Shs.
June 1	Balance b/d		20,000	June 7	K Victor		18,000
June 11	J Gregory		15,000	June 13	R Robertson		10,000

June 21	B Bingwa	60,000	June 25	M Mulwa	53,000
June 28	C Coopers	<u>38,000</u>	June 30	Balance c/d	<u>52,000</u>
		<u>133,000</u>			<u>133,000</u>
July 1	Balance b/d	52,000			

BS Current account Kshs. Account No. -----

The bank statement

Date	Description	Withdrawals	Deposits	Balance
June 1	Balance b/d			20,000
June 11	Cheque 100035	18,000		2,000
June 16	SCB cheque deposit		15,000	17,000
June 18	Business Club	1,500		15,500
June 19	Cheque 100036	10,000		5,500
June 25	K Williamson (Credit transfer)		32,400	37,900
June 28	Bank charges	750		37,150

Required:

- (i) Write up the cashbook upto date (7 marks)
- (ii) Prepare a bank reconciliation statement as at 30th June 2010 (4 marks)

QUESTION THREE

The following information has been obtained from the books of St Lukes, a sole trader, for the month of January 2011.

- January 1 Started business with shs. 75,000 cash
- 3 Bought goods for cash shs 11,000
- 7 Bought goods on credit shs 32, 000 from G Genesis
- 10 Sold goods for cash shs. 6,400

- 14 Returned goods to G Genesis shs. 4,600
- 18 Bought goods on credit shs. 41,400 from E Exodus
- 21 Returned goods to E Exodus shs. 3,100
- 24 Sold goods to M Mathew shs. 8,200 on credit
- 25 Paid G Genesis' account by cash shs. 27,400
- 31 M Mathew paid his account in cash shs.8,200

Required:

- a) Enter the above transactions into the various ledger accounts and balance off the accounts at the end of the month **(12 marks)**
- b) Extract St Lukes trial balance as at 31st January 2011 **(8 marks)**

QUESTION FOUR

- a) Discuss why it is important for businesses to prepare financial statements **(6 marks)**
- b) With relevant examples, explain the meaning of intangible non current assets **(4 marks)**