

KABARAK



UNIVERSITY

**UNIVERSITY EXAMINATIONS
2009/2010 ACADEMIC YEAR**

**FOR THE DEGREE OF BACHELOR OF
COMMERCE**

COURSE CODE: ACCT 110

**COURSE TITLE: FOUNDATION OF
ACCOUNTING I**

STREAM: Y1S1

DAY: THURSDAY

TIME: 4:00 – 6:00 P.M.

DATE: 08/04/2010

INSTRUCTIONS:

1. This paper contains four questions. Answer **ALL** the 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) Explain the following accounting principles and concepts:
- (i) Duality concept. (2 marks)
 - (ii) Consistency concept. (2 marks)
 - (iii) Materiality concept. (2 marks)
- b) With relevant examples, differentiate between
- (i) Non current assets and current assets. (4 marks)
 - (ii) Non current liabilities and current liabilities. (3 marks)
 - (iii) Patent and franchise. (2 marks)

QUESTION TWO

- a) Explain the following types of errors
- (i) Compensating errors. (2 marks)
 - (ii) Complete reversal entries. (2 marks)
 - (iii) Transposition errors. (2 marks)
- b) The trial balance of Mzee Mali, a sole trader, prepared on 31st December 2009 had a shortage of shs. 12,000 on the debit side. A suspense account was opened for the difference. The Trading and Profit and loss account prepared on 31st December 2009 showed a net profit of shs. 78,045. An examination into the ledger accounts of Mzee Mali on 31st January 2010 revealed the following errors:
- (i) Sales overcast by Shs. 13,500
 - (ii) Insurance undercast by shs. 6,000
 - (iii) Cash received from a debtor entered in the cash book only shs 7,500
 - (iv) A purchase of shs. 8,850 is entered in the books, debit and credit entries as shs. 5,880

Required:

- (i) Prepare journal entries to correct the above errors. (4 marks)
- (ii) Show the entries in the suspense account (3 marks)
- (iii) Calculate the corrected net profit for the year ended 31st December 2008 for K Davis. (2 marks)

QUESTION THREE

The following trial balance has been extracted from the books of Mr Kipuongji as at 30th June 2009

	Dr	Cr
	Shs.	Shs.
Purchases and Sales	468,500	792,825
Cash at Bank	41,000	
Cash in hand	3,240	
Capital account 1 July 2008		438,325
Returns Inwards and Outwards	14,000	12,000
Carriage Inwards	3,000	
Drawings	171,000	
Office furniture	29,000	
Rent	34,000	
Wages & Salaries	314,000	
Discounts	8,200	1,600
Debtors and creditors	123,160	52,450
Stock 1 July 2008	41,200	
Provision for bad and doubtful debts 1 July 2008		4,050
Delivery Van	37,500	
Van running costs	6,150	
Bad debts written off	7,300	
	<u>1,301,250</u>	<u>1,301,250</u>

Additional information:

- (i) Stock as at 30th June 2009 Shs. 24,000
- (ii) Wages and salaries accrued at 30th June 2009 Shs. 3,400
- (iii) Rent prepaid at 30th June 2009 Shs. 2,300
- (iv) Van running costs owing at 30th June 2009 Shs. 720
- (v) Increase the provision for bad and doubtful debts to shs. 4,960
- (vi) Provide for depreciation as follows: office furniture Shs. 3,800, Delivery van Shs. 12,500

Required:

Draw up Mr Kipuongji's trading and profit and loss account for the year ended 30th June 2009 and a balance sheet as at that date. (25 marks)

QUESTION FOUR

a) Differentiate between the following:

- (i) Bank lodgments and credit transfers. (3 marks)
- (ii) Dishonoured cheques and Unpresented cheques. (3 marks)

b) The bank statement for Petty Errands for the month of August 2009 is:

	Dr	Cr	Balance
	Shs.	Shs.	Shs.
August 1 Balance			51,970 O/D
8 H Kingston	1,220		53,190 O/D
16 Cheque		2,440	50750 O/D
20 Bii Nikol	2080		52,830 O/D
21 Cheque		3,330	49,500 O/D
31 G H L: traders credit		570	48,930 O/D
31 BKS: standing order	490		49,420 O/D
31 Bank charges	280		49,700 O/D

The cash book (Bank columns) for August 2009 is:

2009	Dr	Shs.	2009	Cr	Shs.
Aug 16	Madam Grace	2,440	Aug 1	Balance b/d	51,970
“ 21	Kisemei W	3,330	“ 6	H Kingston	1,220
“ 31	Caleb Oduor	1,600	“ 30	Bii Nikol	2,080
“ 31	Balance c/d	52,800	“ 30	Argwings K	4,900
		<u>60,170</u>			<u>60,170</u>

Required:

- (ii) Write the cash book upto date . (6 marks)
- (iii) Draw up a bank reconciliation statement as on 31st August 2009. (3 marks)