

CHUKA



UNIVERSITY

COLLEGE

UNIVERSITY EXAMINATIONS

**FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT,
BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT,
BACHELOR OF CATERING AND HOTEL MANAGEMENT**

BBAM 110: PRINCIPLES OF ACCOUNTING I

STREAMS: BENS, BPSM & BCHM (Y1S1)

TIME: 2 HOURS

DAY/DATE: THURSDAY 13/12/2012

2.30 P.M– 4.30 P.M

INSTRUCTIONS:

- (i) Answer all questions.
- (ii) Do not write on the question paper.

1. (a) The following information was provided by Machakos Enterprises Ltd for the month of November 2012.

	<u>Sh.</u>
Sales ledger balances	23,220
Totals for November: Sales journal	14,194
Returns inwards journal	826
Cheques & cash received from customers	17,918
Discount allowed	312
Sales ledger balances	18,358

Required: Sales ledger control account for the month of November 2012.

[6 marks]

- (b) Mr. Okako is a junior accountant and non experienced in Mwea Company Ltd. He came across the following challenges as he was preparing the final books of accounts for the year ended 30th September 2012.
- (i) Sales of Sh.250,000 to Mr. Oyondi on 25th September, 2012, where he paid Sh.200,000 in cash and promised to pay the balance on 20th Jan 2013. Okako is of the opinion to record the sales balance in the books of 2013 when it is paid.

- (ii) The company purchased dust bins of Sh.450 and Okako needs it be recorded as a fixed asset since it is the property of the company.
- (iii) The land acquired from colonial officers in 1952 for Sh.3 million has appreciated to Sh.972 million. He needs the figure to be charged in the balance sheet to reflect current value.
- (iv) A tractor purchased for the company from CMC motors for Sh.4 million payable in installments till 2014. He thinks it should not be recorded in the balance sheet until all installments are paid and ownership transferred to the company as per Hire Purchase Act.
- (v) Two cases in court ruling was expected on 1st October 2012. Expectations is that case “A” the company may be awarded Sh.200,000 and in case “B” the company may be fined Sh.52,000 for Embu enterprises. Okako’s opinion is to record the two cases in the final books as expectations are so high that those are the rulings.

Required: Considering Mr. Okako’s argument, state the accounting concept to be applied in each case and explain how each case shall be treated in the final books of accounts. [10 marks]

(c) Mark Mukami an accountant of MeruEnterprises, prepared a trial balance of the business on 30th November 2012 and found that it was not balancing with debit balance of Sh.60,000. Later he discovered the following errors.

- (i) Sales overcasted by Sh.70,000.
- (ii) Insurance is undercasted by Sh.40,000.
- (iii) Cash received by debtor is entered in the cashbook only Sh.50,000.
- (iv) A purchase of Sh.59,000 was entered in the books as Sh.95,000.

Required:

- (i) Journal entry to correct the errors. [3 marks]
- (ii) The suspense account [3 marks]
- (iii) Show the corrected errors and its effect in the Trading Profit and Loss account extract. [3 marks]

2. (a) OnyancheMokogi started business on 1st August 2012 as a sole trader in Ndagani Chuka. The following transactions took place during the month.

Date:

- 1st He brought in capital of Sh.850,000 in which he opened bank account and deposited Sh.600,000 and the balance kept in the premises.
- 3rd Purchased stocks as follows:
- From Makanyengo Sh.80,000 in cash, credit from Murungi Sh.120,000 and cheque from Kaunda Sh.100,000
- 8th Sold goods as follows: To Kaangi on credit Sh.200,000, cash to Kamau Sh.110,000 and Chamwada paid by cheque Sh.30,000.
- 17th Purchased motor vehicle from general motors and paid by cheque Sh.452,000 after a discount of Sh.8,000.
- 22nd Paid Oparanya a commission for legal services Sh.12,000 in cash.
- 24th Received a commission by cheque from Ruto Sh.27,000.
- 28th Received Sh.180,000 by cheque from Kaangi.
- 29th Paid Murungi by cheque Sh.118,000 for full settlement of credit owed.
- 30th Deposited into the bank Sh.70,000.

Required:

- (i) A three column cash book. [4 marks]
- (ii) Enter the above transaction into their respective ledger account and balance off the accounts. [8 marks]
- (iii) Prepare trial balance. [4 marks]
- (b) The following balance sheet was extracted from the books of TarakaEnterprises Ltd for the year ended 30th September 2012.

Liabilities	Sh	Assets	Sh
Share capital	10,000,000	Land and buildings	8,000,000
10% KCB loan	5,000,000	Plant & machinery	6,000,000
Creditors	2,000,000	Stocks	1,000,000
Short-term loans	2,000,000	Cash at hand	1,200,000
accruals	<u>1,000,000</u>	Debtors	500,000
		Bills payable	300,000
		Cash at bank	<u>300,000</u>
	<u>20,000,000</u>		<u>20,000,000</u>
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Additional information:

- (i) Sales for the year was 7,500,0000.
- (ii) Annual overheads Sh.1,500,000.
- (iii) Closing stock Sh.800,000

Required to compute the following:

- | | | |
|-------|----------------------------|-----------|
| (i) | Current ratio | [2 marks] |
| (ii) | Quick ratio | [2 marks] |
| (iii) | Net profit | [2 marks] |
| (iv) | Return on capital employed | [3 marks] |

3. The following trial balance was extracted from the books of Speedman Kenya Ltd as at 31st December 2011.

Details	Dr (Sh)	Cr(Sh)
Share capital		90,000
10% Cooperative bank loan		30,000
Buildings at cost	95,000	
Fixtures and fittings	15,500	
Equipments at cost	8,000	
Motor vehicle at cost	17,200	
Provisions for depreciation		
- Equipments (1/1/2012)		2,400
- Motor vehicle (1/1/2012)		5,160
Opening stock	22,690	
Sales		98,200
Purchases	53,910	
Carriage inwards	1,620	
Salaries and wages	9,240	
Directors remunerations	6,300	
Motor vehicle expenses	8,120	
Rates and insurance	2,930	
General expenses	560	
Cooperative interest on loan	1,500	
Debtors	18,610	
Creditors		11,370
Bank	8,390	
General reserve		5,000
Share capital premium		14,000
Dividends due to be paid	3,500	
Profits and loss account (31/12/11)		16,940
	273,070	273,070
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Additional information:

- (i) Stock on 31/12/2012 was Sh.1,200.
- (ii) Accrued interest on Co-operative loan Sh.1,500.
- (iii) Provide dividends for capital at 10%.
- (iv) Provide provisions for bad debts at 10% on debtors.
- (v) Provide for corporate tax Sh.5,000.

Required:

(a) Trading and profit and loss account of the company for the year ended 31st December 2011. [12 marks]

(b) Balance sheet as at that date. [8 marks]
