

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF COMMERCE**

BCOM 110: PRINCIPLES OF ACCOUNTING I

STREAMS: BCOM Y1S1

TIME: 2 HOURS

DAY/DATE: THURSDAY 8/8/2013

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

Answer all questions.

Do not write on the question paper.

1. (a) The Kenya Accounting Standards 1 has outlined the fundamental accounting concepts which are generally accepted in preparation of periodic financial accounts of business. In the light of KAS 1 describe the generally accepted accounting principles. [10 marks]

- (b) The following trial balance was extracted from the books of Farm-house enterprises as at 30th June 2013.

Particulars	Dr	Cr
	(Sh 000)	(Sh 000)
Sales		12,150
Stock 1 st July 2012	918	
Cash at Bank	540	
Discounts	90	304
Capital		491
Water and electricity	11	
Current deposits	22	
Motor vehicles at cost	350	
Free hold land and buildings (cost)	1,410	
Purchases	10,406	
Commission received		20
Debtors and creditors	818	1,700
Fixtures & fittings at cost	90	
Drawings	95	
Provisions for bad debts		37

Bad debts	35	
Salaries and wages	58	
Carriage outwards	96	
Carriage inwards	116	
Returns	22	19
20% loan from K-rep		420
Loan interest	63	
Office expenses	45	
Rent and rates	105	
Cash in hand	8	
Provisions for Depreciation		
- Motor vehicle		140
- Furnitures& fittings		<u>17</u>
	<u>15,298</u>	<u>15,298</u>
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Additional information:

- Closing stock was valued at Sh.800,000.
- Pre-paid rent amounted to Sh.42,000.
- The provisions for bad debts to be adjusted to 5% of trade debtors.
- The proprietor had taken goods, Sh.41,000 for domestic use.
- A further amount of Sh.10,000 is to be written off as bad debts.
- Provisions of depreciation to be provided as follows:
 - Motor vehicle 20% on straight line.
 - Fixtures & fittings at 10% on reducing balance.
- Electricity bill for the month of June 2013 amounting to KSh.8000 was paid on 3rd July 2013.
- Loan interest of Sh.21,000 has not yet been paid.

Required:

- Trading and Profit and Loss account for the year ended 30th June 2013. [11 marks]
- Balance sheet as at that date. [9 marks]

- On 1st January 2010 Chogoria Tea factory purchased two vehicles costing Sh.1,000,000 and Sh.1,200,000. The company policy was to depreciate the vehicles on straight line

method at 10% p.a. On 1st January 2013 the directors discovered that the records of assets in the company has not been kept for reporting purposes and preparation of final accounts

Required to prepare the following accounts records for the motor vehicles for the years 2010, 2011 and 2012 assume the year ended 31st December each year.

- (a) Extract of profit and loss account. [3 marks]
 (b) Motor vehicle account [4 marks]
 (c) Provisions for depreciation account [7 marks]
 (d) Extract of Balance sheet [6 marks]

3. (a) GesimaPower Mills Ltd has provided the following information for the year ended 30th June 2013.

Balance Sheet of Gesima Power Mills Ltd.

Details	Sh	Sh
<u>Fixed Assets:</u>		
Land and buildings		700,000
Plant and machinery		500,000
Motor vehicles		450,000
Fixtures and fittings		<u>150,000</u>
		1,800,000
<u>Current Assets:</u>		
Debtors	250,000	
Cash at bank	300,000	
Cash at hand	150,000	
Stock	<u>200,000</u>	
	900,000	
Less: <u>Current liabilities</u>		
Creditors	400,000	
Proposed dividends	250,000	
Provisions for tax <u>50,000</u>	<u>700,000</u>	<u>200,000</u>
TOTAL ASSETS (NET)		2,000,000
		=====
<u>Financed by:</u>		
Capital	1,000,000	
10% KCB loan	500,000	
Retained profits	<u>500,000</u>	
CAPITAL EMPLOYED		2,000,000
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Required:

- (i) Stock turnover ratio [3 marks]
 (ii) Net profit ratio [2 marks]
 (iii) Current ratio [2 marks]

- (iv) Liquid ratio [2 marks]
- (v) Return on Capital Employed [3 marks]

- (b) Outline the advantages of preparing control accounts. [4 marks]
 - (b) Distinguish between revenue expenditures and capital expenditures and explain how they are treated in the books of accounts. [4 marks]
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