THE CATHOLIC UNIVERSITY OF EASTERN

 AFRICA

 A.M.E.C.E.A

 **MAIN EXAMINATION**

 **MAY-JULY TRIMESTER**

 **FACULTY OF COMMERCE**

 **DEPARTMENT OF ACCOUNTING AND FINANCE**

 **CAC 111: BASIC ACCOUNTING**

**DURATION: 2 HOURS**

**INSTRUCTIONS: Answer Question ONE and any other TWO Questions**

**Q1. A)** The following balances was extracted from the records of Bencampo for the year ended

 September 2012:

 **Shs.**

Cash in hand 6,000

Cash at bank 55,000

Stock 1.9.2011 105,000

Debtors 40,000

Creditors 50,000

Returns inwards 2,500

Sales 280,000

Purchases 102,500

Capital 74,500

Salaries 20,000

Water and electricity 3,000

Postage 1,000

Drawings 4,500

Stock 30.9.2012

Furniture and fittings 37,500

Motor Van 175,000

Loan from chama 150,000

Rent received 6,000

Office rent 8,500

REQUIRED:

1. Prepare a trial balance as at 30th September 2012. (4 marks)
2. Prepare a trading account for the year. (3 marks)
3. Display a profit and loss account for the year. (5 marks)
4. Display a balance sheet as at 30th September 2012. (5 marks)

b) The business below relate to the business of Bamako traders:

2013 Feb. 1 Started business with 25,000 cash and 400,000 in Bank

 Feb. 2 Borrowed 49,000 cash from a friend Kigali.

 Feb. 3 Bought goods on credit from Harare 63,000

 Feb. 4 Bought office furniture for 36,500 paid by cheque.

 Feb. 5 Sold goods on credit to Juba 81,700

 Feb. 6 Bought goods for 125,000 by cheque

 Feb. 7 Sold goods for cash 74,500

 Feb. 8 Paid salaries 46,200 cash

 Feb. 9 Received commission 19,900 by cheque

 Feb. 10 Paid rent 82,300 by cheque

 Feb. 11 Bamako sold private property for 650,000 cash and brought it all to the business.

 Feb. 12 Deposited 500,000 cash into the business bank account.

REGUIRED:

1. State the principle Double- entry Rule in accounting. (1 mark)
2. Record the above transactions in the accounting books using the Double- entry system (5marks)
3. Balance off each of the accounts. (3 marks)
4. Extract a trial balance as at Feb 12,2013 (4 marks)

**Q2. A)** The following errors were detected in the accounting records of Alicia merchants:

 **.** Office furniture was bought for 88,000 and debited to purchases account.

 **.** The rent expense account was overcast by 73, 000 and the commission revenue account

 Was undercast by 73,000.

 **.** A purchase goods on credit from Rihanna for 99,000 was not recorded anywhere in the

 Books.

 **.** A sale of goods on credit to Jaydee sh. 154,000 was entered in Jaydee’s account.

 **.** A sale of goods for cash 85,00 was entered in the books as 58,000.

 **.** A cheque payment for rent 87,000 was debited in bank account and credited to rent

 Expence account.

REQUIRED:

1. State the accounting name of each of the above errors. (3 marks)
2. Show the journal entries to correct the errors. (7 marks)

b) The trial balance of Dida traders failed to agree and the difference was placed I a suspence account.

 Investigations revealed the errors below:

1. The sales account had been overcast by 15,000.
2. Returns outwards account had not been credited with 61,320.
3. A payment by a debtor of 150,000 by direct bank transfer had not been entered in debtors

Account.

1. A cash purchase of 2,320 had been recorded in the cash book only.
2. 22,000 received from a debtor had been debited to his account.

REQUIRED:

1. Show the necessary journal entries to correct the above errors. (5 marks)
2. Complete the suspense account and clearly show the original difference before the errors were corrected. (5 marks)

Q3. a) Clearly distinguish between ACCRUALS and PREPAYMENTS with regard to trading EXPENSES and

 REVENUES and indicate whether each is an Asset or Liability to the firm including their

 Treatment in the profit and loss account and also the balance sheet. (8 marks)

b)(i) What do you understand by the term “Depreciation”? (1 mark)

 ii) State and briefly explain TWO causes of depreciation. ( 2 marks)

 iii) Office furniture was bought on 1st April 2008 for Ksh. 800,000. It is assumed that the furniture

 depreciates at the rate of 15% p.a. You are required to clearly show the DEPRECIATION

 AMOUNT, NET BOOK VALUES and also the BALANCE SHEET Extract for each of the years 2008,

 2009 and 2010 using EACH of the methods below separately:-

1. Straight –line method (4 marks)
2. Reducing- balance method (5 marks)

Q4. i) State and briefly explain four reasons why the bank statement balance may differ from the cash

 Book balance of a business firm even when produced o the same day. (4 marks)

 ii) On 31st January 2013, the cash book of Modde traders showed a debit balance of 455,200 while

 there bank statement show a different balance X. On careful examination of the two records,

 the following discrepancies were discovered:

 i) A banking of 640,000 had been posted and debited in the cash book as 64,000.

 ii) Bank commissions amounting to 12,800 had not been entered in the cash book.

 iii) Cash and cheques amounting to 86,400 banked on 31st January 2013 had not been reflected

 by the bank.

 iv) The cash book had been overcast by 23,000 on the debit side.

 v) The bank had paid an insurance premium of 91,200 on behaIf of Modde but had not advised

 Modde.

 vi) A cheque of 45,620 drawn in favour of city council had not been presented for payment.

 vii) Cheques amounting to 76,430 had been dishonoured by the bank.

REQUIRED:

Prepaire a bank reconciliation statement and clearly show the balance X as per the bank statement(6 marks)

b) Use the following details to write up a three column cash book and balance it off at the end of the

 month:

2013 Feb. 1 cash in hand 58,900, cash at bank 456,700.

 Feb. 2 We paid each of the following accounts by cheque, in each case deducting a 4.5% discount:

 Nana- 62,300

 Papa- 58,600

 Buba- 46,000

 Feb. 3 Mode paid us by cash 94,200.

 Feb. 4 Paid rent and rates by cheque 77,000.

 Feb. 5 The following people paid us their account in cash, in each case they deducted a 3.5% discount:

 Parkplace- 74,000, Rongai -28,600, Karen – 69,000.

Feb. 6 Paid insurance fees 84,000 cash.

Feb. 7 Sold goods for 97,000 receiving a cheque.

Feb. 15 Paid wages and salaries 78,000 cash

Feb. 20 Received 55,000 loan in cash from Langat

Feb. 25 Paid for stationery 27,000 by cheque

Feb. 27 Received commissions by cheque 125,000

Feb. 28 Sold goods on credit to Ongata 350,000 (10 marks)

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