



AFRICA NAZARENE UNIVERSITY

SCHOOL OF BUSINESS

CENTRE: NAIROBI
UNIT TITLE: FUNDAMENTALS OF ACCOUNTING I
UNIT CODE: ACC 101
LECTURER: J. NDONGA
TRIMESTER: 2ND TRIMESTER 2015/2016
DATE: 11TH APRIL, 2016
TIME: 5.30 PM – 7.30 PM

Instructions:

1. Answer any **FOUR** Questions.
2. Write all your answers in the answer booklet provided.
3. **DO NOT** write on the question paper.
4. Time allowed: Two Hours

Question One

You have been invited to an accounting association where accounting is being discussed. You believe that the discussion will confirm how important accounting is and therefore you have prepared adequately to meet your peers.

- a) Describe importance of accounting processes in business management. (5 marks)
- b) Explain the regulatory framework of accounting in Kenya. (5 marks)
- c) Identify five users of accounting information and highlight interests they have. (5 marks)

Question Two

- a) Describe accruals and deferrals (5 marks)
- b) State the purposes of the following documents:
 - (i) Trial balance (2 marks)
 - (ii) Daybooks (2 marks)
 - (iii) Journals (2 marks)
 - (iv) Accounting worksheets (2 marks)
 - (v) Ledgers (2 marks)

Question Three

- a) You are attending a job interview in a professional firm and the interviewing panel has presented on power point steps in a random order of completing an accounting cycle.
 - (i) Prepare trial balance
 - (ii) Journalize and post closing entries
 - (iii) Journalize Transactions
 - (iv) Post transactions data to ledgers
 - (v) Prepare adjusted trial balance
 - (vi) Make end of period adjustments
 - (vii) Prepare after closing income statements
 - (viii) Prepare after closing balance sheets

Required: List the steps in sequence they would be performed normally. (8 marks)

- b) Cash transactions for July 2013 for Westland's Ltd were s follows:

- The ledger balance for cash showed kes1,111,950
- July statement showed balance of kes1,148,280
- Cash received on 31 July and left in night safe at the bank was kes160,000
- Debit memo of kes500 was established on bank statement for bank charges for July. A credit note was received for kes182,000 for debtors
- returned payment cheques by bank were recorded as kes5,190 instead of kes9,150
- Cheques issued in July not paid:

Cheque no	Amounts(kes)
3242	3,140
3446	6,250
3482	1,750

Required: Show the steps that would be followed to prepare bank reconciliation statement of Westland Limited. (7 marks)

Question Three

- a) State the steps of passing journal entries. (5 marks)
- b) You are provided with the following selected transactions of Truncell Ltd for 20114:
- Oct 1: company issued cheque for payment of note payable of kes 72,000 to Kenya National trading ltd.
- Oct3: the company returned goods to suppliers, Uchumi Traders Ltd worthkes42, 000. These had been bought earlier in larger lot of kes473, 000
- Oct 5: Purchased office supplies amounting to kes28, 000 to be paid for later.
- Oct 16: kes1, 290,000 cheques were collected from accounts receivables
- Oct21:Kes23, 000 of accounts receivables was collected from Kate representing balance outstanding in September 2012.
- Oct 30: wages paid were kes326, 000 and this was paid through bank. Required: pass journal entries (7 mark)
- c) Explain the following accounting terms
- (i) Assets (1 mark)
 - (ii) Owners equity (1 mark)
 - (iii) Double entry (1 mark)

Question Four

W-D Services Ltd have presented the following Trial balance as at 31st Dec2012

Details	DR	CR
Cash	7,250,000	
Debtors	52,000,000	
Shop supplies	12,000,000	
Prepaid insurance	1,200,000	
Land	36,000,000	
Buildings	18,592,000	
Acc. deprecation on building		2,200,000
Tools and equipments	3,000,000	
Acc. deprecation on tools		1,650,000
Notes payable		1,950,000
Accounts payable		4,000,000
Wages payable		5,580,000
Taxes payable		2,690,000
Interest payable		6,000,000
Unearned rent revenue		30,000
Capital		80,000,000
Retained earnings		25,942,000
Total	130,042,000	130,042,000

The following errors were noted

- Debtors included an amount of supplies bought for kes300,000
- Depreciation on buildings of kes36,200 for the year had not been included
- Taxes payable included kes100,000 for notes payable
- Tools and Equipment included shop supplies bought for kes200, 000

- Required:** (i) Prepare adjusting entries and accounting worksheet. (12 marks)
- (ii) State why correcting errors is important (3 marks)

Question Five

a) Explain briefly the following accounting postulates:

- (i) Objectivity
- (ii) Substance over form,
- (iii) Materiality,
- (iv) Matching
- (v) Prudence

(10 marks)

b) Distinguish petty cash book from main cash book

(5 marks)