

CHUKA**UNIVERSITY****UNIVERSITY EXAMINATIONS****THARAKA CAMPUS**

**FIRST YEAR EXAMINATION FOR THE AWARD OF
DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT**

DIAC 0112: PRINCIPLES OF ACCOUNTING II**STREAMS: DPLM Y1S2****TIME: 2 HOURS****DAY/DATE: TUESDAY 02/08/2016****8.30 AM – 10.30 AM****INSTRUCTIONS:**

- Answer ALL Questions
- Do NOT write on the question paper

Question One

(a) The cashbook of K. Mwendwa for the month of December 2003 is as follows

Cashbook

Date	Cheque No.	Details	Amount	Date	Cheque No.	Details	Amount
2/12	015	Kinyua	24,000	1/12		Bal b/f	20,000
10/12	116	Juma	28,000	5/12	651	Jogoo	30,000
18/12	125	Okumu	36,000	12/12	652	Simba	32,000
22/12	173	Musa	24,000	20/12	653	Nyuki	20,000
31/12		Bal c/f	14,000	20/12	654	Nyati	24,000
			<hr/> 126,000 <hr/> =====				<hr/> 126,000 <hr/> =====

The bank provided the following bank statement as at 31/12/03

Date	Cheque No.	Details	Debit	Credit	Balance
1/12		Bal b/f	20,000		(20,000)
2/12	015			24,000	4,000
5/12	651		30,000		(26,000)
10/12	116			28,000	2,000
11/12		Ledger fees	4,000		(2,000)
12/12	652		32,000		(34,000)
18/12		Interest income		6,000	(28,000)
19/12		Commission	2,000		(30,000)
22/12		Heritage insurance	6,000		(36,000)
31/12		Balance			(36,000)

Required:

- (i) Define the term “Unpresented cheques” [1 mark]
 - (ii) Highlight the cheque numbers and total of unpresented cheques. [2 marks]
 - (iii) Define the term “uncredited cheques” [1 mark]
 - (iv) Highlight the cheque numbers and totals of uncredited cheques. [2 marks]
 - (v) Define the term “Direct credits” [1 mark]
 - (vi) Highlight the transactions that represent direct credits. [1 mark]
 - (vii) Define the term standing orders. [1 mark]
 - (viii) Highlight the transactions that represent standing orders. [1 mark]
 - (ix) Prepare an adjusted cashbook and a bank reconciliation statement as at 31/12/03. [4 marks]
- (b) The following is a summary of Malimali Corporations transactions for 2005.

	Shs.
Sales on account	568,000
Collections from customers	538,000
Cash receipt of interest revenue	24,000
Cash receipt of dividend revenue	18,000
Cost of goods sold	300,000

Payment to suppliers	270,000
Salary expense and payments	112,000
Depreciation expense	36,000
Other operating expenses due	34,000
Interest expense and payments	32,000
Income tax expense and payment	30,000
Cash payment to acquire plant assets	634,000
Proceeds from sale of plant assets	124,000
Proceeds from issuance of common stock	202,000
Proceeds from issuance of longterm note payable	188,000
Payment of longterm note payable	22,000
Payment of cash dividends	34,000

The company's cash and cash equivalents as at 1st Jan 2015 were shs 84,000 and shs. 44,000 as at 31st December 2005.

Required:

Prepare a cash flow statement for Malimau corporations as at 31st December 2005. [10 marks]

- (c) Explain the classifications of cashflows in the statement of cashflows and highlight any 3 purposes of a cashflow statement in an organization. [6 marks]

Question Two

- (a) Define the term "Imprest system" as used in petty cashbook transactions. [4 marks]

- (b) Explain the importance of maintaining a petty cashbook in a large organization. [4 marks]

- (c) The following transactions relate to the petty cash transactions of Akwekwe business in the month of August 2015.

August 1 received for petty cash payments 20,000/=

August 2 paid for postage 500/=

August 5 paid for stationery 1000/=

August 8 paid for advertisement 600/=

August 12 paid for wages 2000/=

August 16 paid for transport 2000/=

August 20 paid for office tea 5000/=

August 25 paid for postage 3,000/=

August 27 gift to visitor 2,000/=

August 28 wages to office cleaner 1,000/=

Required:

- (i) Petty cashbook [11 marks]
(ii) State the amount of cash that the accountant should reimburse to the petty cashier basing on the imprest system. [1 mark]

Question Three

Akwama and Muthoni are in a partnership sharing profits and losses equally. The following is the trial balance as at 30th June 2003.

	Dr (shs)	Cr (shs)
Building (cost 1,500,000)	1,000,000	
Fixtures at cost	220,000	
Provision for depreciation: Fixtures		66,000
Debtors	324,860	
Creditors		223,000
Cash at bank	13,540	
Stock at 30 th June 2002	839,580	
Sales		2,473,000
Purchases	1,708,320	
Carriage outwards	25,760	
Discount allowed	2,300	
Loan interest: Mbiu	80,000	
Office expenses	48,320	
Salaries and wages	378,340	
Bad debts	10,060	
Provision for bad debts		8,000
Loan from Mbiu		800,000
Capitals:		
Akwama		700,000
Muthoni		590,180
Current accounts:		
Akwama		26,120
Muthoni		5,780
Drawings:		
Akwama	128,000	
Muthoni	113,000	
	4,892,080	4,892,080
	=====	=====

Additional Information:

- Stock as at 30th June 2003 shs 1,126,800
- Expenses to be accrued:

Office expenses	shs. 1,920
Wages	shs. 4,000
- Depreciation fixtures at 10% on reducing balance basis and buildings at shs. 20,000.

4. Reduce provision for bad debts to shs 6,400
5. Partnership salary of shs. 16,000 to Akwama is not yet entered.
6. Interest on drawings:

Akwama	shs 3,600
Muthoni	shs 2,400
7. Interest on capitl a/c balance at 10%

Required:

Prepare a trading, profit and loss appropriation account for the year ended 30th June 2003 and a balance sheet as at that date. [20 marks]
