



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2013/2014**

FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR THE  
CERTIFICATE IN BUSINESS ADMINISTRATION AND  
PURCHASING & SUPPLIES  
(CITY CAMPUS – DAY/EVENING)

**ACB 0011: ELEMENTS OF BOOK KEEPING**

Date: 14<sup>th</sup> July, 2014

Time: 9.00 – 11.00 a.m.

---

**INSTRUCTIONS:**

- Answer Question ONE and any other TWO questions.

**Question One**

(a) Define the following accounting concepts and for each explain their implication in preparation of financial statement

- a. Going concern
- b. Business entity concept
- c. Consistency concept
- d. Prudence concept
- e. Accrual concept

(10mks)

(b) Journalize the following transaction relating to Wakio Ltd for the month of August 2013 in a general journal.

- August 1: Invested an additional cash 150,000 in the business  
 2: Bought a motor vehicle worth Shs. 1,200,000 on credit from Makali Ltd.  
 3: Bought furniture worth 15,000 on credit from Waridi Ltd  
 4: Sold a machine worth Shs. 12,000 on credit to Umoja traders  
 15: Goods worth 14,500 which had to be purchased from Ramah Company on 30<sup>th</sup> July were noted to have been omitted in the books.  
 24: Settled a debt of 2,000 to Muthama by cash.

(c) Identify any five external users of accounting information and their needs.

**Question Two**

The following transactions relates Wanja Co. Ltd. Draw up the trading profit and loss account for the year ended 31<sup>st</sup> Dec, 2013 and a balance sheet as at 31<sup>st</sup> Dec, 2013

	Shs.	Shs.
Stocks: 1 January 2013	15,350	
Advertising	7,400	
Telephone Bills	3,700	
Purchases	145,800	
Salaries & Wages	46,000	
Sales		272,375
Electricity	5,000	
Rent	3,000	
General Expenses	4,700	
Land & Building	100,000	
Furniture	30,000	
Motor Vehicle	20,500	

Debtors / Receivables	25,850	
Cash	15,000	
Creditors		13,041
Capital		136,884
	<b>422,300</b>	<b>422,300</b>

Stock at 31<sup>st</sup> December 2004 was valued at Shs. 16,400 (20mks)

### Question Three

The following transactions related to Kisumu Traders during the month of January 2009

- Jan 1: The balances brought down were 4,000 and 10,000 bank and cash respectively.
- 2: Started a business with capital Shs. 80,000 cash and 200,000 at bank
  - 3: Bought goods by cheque 70,000
  - 5: Bought machinery worth 20,000 paying by cheque.
  - 6: Received cash from Etale 19,000 having allowed her a cash discount of Shs. 1000
  - 8: Paid the following by cheque, Peter 30,000, Evans 15,000 and Kennedy 260,000 having deducted 10% discount in each case
  - 12: Cash sales Shs. 14,000, paid for postage by cash 2,000
  - 16: Received a cheque of 27,000 from Gatehi in full settlement of his account of 30,000
  - 20: Received cheque of the following amounts from Otieno Shs. 18,000, Lawi Shs. 28,800 and Esther 12,600 each of them had been allowed a discount of 10%
  - 29: Credit sales to Muhia Shs. 6,000 discount 10%
  - 30: Withdrew cash from bank for office use Shs. 50,000

### Required:

Prepare a relevant cash book (20mks)

### Question Four

(a) Returns from customer from Wangui's shop are as follows:

- |          |  |
|----------|--|
| 01/12/12 | Credit note No. 0001 sales return by Jane Shs. 50,000  |
| 05/12/12 | Credit note No. 002 Sales returns by John Shs. 30,000  |
| 16/02/12 | Credit note No. 003 sales return by Jakes Shs. 45,000  |
| 21/12/12 | Credit note No. 004 sales returns by Chris Shs. 75,000 |

The credit sales for the period amounted to Shs. 650,000 of which cash paid was Shs. 300,000 outstanding debtors at beginning of the period were Shs. 100,000

**Required:**

Draw a sales return journal and the entries in the general ledger (10mks)

- (b) The balance on the cash book of Mr. Tidoh as at 31<sup>st</sup> Dec, 2010 was Shs. 30,000 on the same date, the balance as per the bank statement was Shs. 50,000 (credit) on examining the bank statement and the cash book the following were observed:
- i. Cheque totaling Shs. 8,000 had been paid into the bank on 31/12/2010 but were not credited by the bank until 1/1/2011
  - ii. Bank charges amounted to Shs. 600
  - iii. A standing order to KIWASCO of Shs. 800 had been paid by bank but not entered in the cash book.
  - iv. Interest income amounting to Shs. 13,000 collected by the bank did not appear in the cash book.
  - v. Amounts paid to suppliers but not presented for payment to the bank amounted to Shs. 16,400.

**Required:**

- a. Adjusted cash book balance
- b. Bank reconciliation statement (10mks)

**Question Five**

- a) What is the basic accounting equation? Define the primary elements of the equation (5mks)
- b) State and explain the different classifications of accounts (10mks)
- c) State and explain three objective of preparing a trial balance (5mks)