PRINCIPLES OF ACCOUNTING 1 (ACCT 010) 2ND TRIMESTER 2012

**KENYA METHODIST UNIVERSITY**

**END OF 2ND TRIMESTER 2012 (DAY) EXAMINATIONS**

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| **SCHOOL** |   | : | BUSINESS AND ECONOMICS |
| **DEPARTMENT** | : | ACCOUNTING & FINANCE |
| **UNIT CODE** |   | : | ACCT 010 |
| **UNIT** | TITLE | : | PRINCIPLES OF ACCOUNTING 1 |

|  |
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| **TIME: 2 HOURS** |

**Instructions: Answer Question ONE and any other TWO Questions.**

**Question One**

|  |  |  |
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| * Explain any FIVE users of accounting information giving atleast one reason why they need the information for each one of them.
 |   | (10 Marks) |

* On 1st January 2011 R. Mukobi commenced business with cash in hand of shs. 20,000 and cash at bank shs. 30,000. The following transactions took place during the first month.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1. Bought goods by cheque. |   |   |   |   | 5,000 |
| 4. Sold goods cash |   |   |   |   |   |   | 3,000 |
| 7. Paid cash into bank |   |   |   |   |   | 1,000 |
| 10.Cash refunded to a customer for goods returned. |   | 2,000 |
| 15. Paid wages in cash |   |   |   |   |   | 400 |
| 16. Sold goods cash |   |   |   |   |   |   | 12,000 |
| 18. Paid cash into bank |   |   |   |   |   | 6,000 |
| 21. Paid salaries by cheque. |   |   |   |   | 2,400 |
| 23. Bought office desk and chair by cheque |   |   | 9,600 |
| 24. Sold goods on credit to A. Oluoch. |   |   |   | 5,600 |
| 25. A.Oluoch settled his account in full by cash |   | 5,500 |
| 28. Bought goods on credit from K. Kinuthia |   |   | 4,400 |
| 30. Received a credit note from K. Kinuthia |   |   | 400 |
| 31. Paid K. Kinuthia by cheque to settle his account |   | 3,800 |

***Required:***

|  |  |  |  |  |  |  |
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| Post the above transactions in the ledger of K. Mukobi and extract a trial balance as at 31st January 2011. |   |   |   |   |   | (15 Marks) |

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| --- | --- | --- | --- |
| * Give a detailed explanation of accounting equation.
 |   |   | (5 Marks) |

**Question Two**

The following balances stood in the ledger of Tolamu Mulaki on 31st December 2011

|  |  |
| --- | --- |
|   |   |
| Cash in hand | 2,400 |
| Cash at bank | 8,620 |
| Petty cash in hand | 300 |
| Stock on 1st January 2011 | 12,000 |
| Motor vehicles | 60,000 |
| Sundry Debtors | 32,700 |
| Sundry creditors | 26,520 |
| Purchases | 78,200 |
| Purchases returns | 3,200 |
| Sales | 175,400 |
| Sales returns | 3,400 |
| Carriage inwards | 1,500 |
| Carriage outwards | 1,750 |
| Discount received | 3,500 |
| Discount allowed | 2,800 |
| Rents and rates | 8,000 |
| Wages and salaries | 36,000 |
| Printing and stationery | 7,400 |
| Drawings | 5,000 |
| Telephone and Telegraph | 1,250 |
| Office Equipment | 20,000 |
| Furniture | 15,000 |
| Electricity | 1,450 |
| Water | 350 |
| Bank Charges | 120 |
| Insurance | 3,600 |
| Motor Expenses | 5,600 |
| General Office Expenses | 4,300 |
| Stock in trade 31st December 2011 | 22,700 |

***Required:***

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| --- | --- |
| * Arrange the above balances in a trial balance on 31st December 2011.
 |   |

(6 Marks)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| * Prepare a trading and profit and loss account for the year ending 31st December 2011.
 |   |   |   |   |   |   |   | 7 Marks) |
| * Prepare a balance sheet as at 31st December 2011.
 |   | (7 Marks) |

**Question Three**

* Describe any FIVE accounting concepts giving examples of their application.

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| --- | --- |
| * Explain the reasons for the distinction between capital and revenue.
 |   |

(5 Marks)

**Question Four**

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| --- | --- |
| * Define a trial balance and explain its usefulness and limitations.
 |   |

(10 Marks)

* Rewrite the following Trial Balance correcting any items you consider to be incorrect.

|  |  |  |
| --- | --- | --- |
| Cash in hand | 7,000 |  |
| Bank Overdraft | 12,000 |   |
| Discount allowed |   | 8,000 |
| Purchases | 102,000 |   |
| Sales |   | 190,000 |
| Furniture and fittings |   | 40,000 |
| Motor vehicles | 86,000 |   |
| Capital | 50,000 |   |
| Drawings |   | 14,000 |
| Return outwards | 5,000 |   |
| Loan repaid during the year |   | 6,000 |
| Return Inwards |   | 6,000 |
| Discount received | 4,000 |   |
| Advertising | 11,000 |   |
| Stationery | 7,000 |   |
| Debtors | 20,000 |   |
| Creditors |   | 40,000 |
|   | 304,000 | 304,000 |

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|   |   |   |   |   |   |   | (10 Marks) |

**Question Five**

* The following is a trial balance of Mr. Mwangi’s business extracted after one year’s trading.

Trail balance as at 31st December 2011

|  |  |  |
| --- | --- | --- |
|   | DR | CR |
|  | (000) | (000) |
| Sales | 119,832 | 19,576 |
| Purchases | 56,527 |   |
| Rent | 2,416 |   |
| Insurance | 1,894 |   |
| General Expenses | 372 |   |
| Premises | 95,420 |   |
| Motor Vehicles | 16,594 |   |
| Accounts receivables | 26,740 |   |
| Accounts payable |   | 16,524 |
| Cash at Bank | 16,519 |   |
| Cash in hand | 342 |   |
| Drawings | 8,425 |   |
| Capital |   | 138,066 |
|   | **345,166** | **345,166** |

|  |  |  |
| --- | --- | --- |
| Inventory at 31st December 2011 was Kshs. 12,408,00 |   |   |

***Required:***

|  |  |
| --- | --- |
| * Prepare a profit and loss account for the year ended 31st December 2011.
 |   |

(10 Marks)

|  |
| --- |
| * Prepare Mr. Mwangi’s balance sheet as at 31st December, 2011.
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