PRINCIPLES OF ACCOUNTING (ACCT 010) 1ST TRIMESTER 2014

**KENYA METHODIST UNIVERSITY**

**END OF 1'***ST '***TRIMESTER 2014 (PT) EXAMINATION**

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

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

**INSTRUCTIONS:***answer question one and any other two questions*

**Questions One**

|  |  |  |  |
| --- | --- | --- | --- |
| * Name and explain the three types of business firms
 |   |   | (6 marks) |

* The following trial balance was extracted from the books of Wellington, a sole trade as at 30th April 2010

|  |  |  |
| --- | --- | --- |
|   | Sh. ’000’ | Sh. ’000’ |
| Capital |   | 22,000 |
| Sales |   | 37,000 |
| Trade creditors |   | 824 |
| Bank balance |   | 132 |
| Loan from Bank (3 yrs) |   | 925 |
| Purchases | 24,000 |   |
| Purchases return |   | 28 |
| Sales return | 136 |   |
| Discount received |   | 120 |
| Discount allowed | 193 |   |
| Salaries & Wages | 2465 |   |
| Rates and Rents | 1320 |   |
| Insurance | 462 |   |
| Telephone and postage | 385 |   |
| Transport and travelling | 1268 |   |
| Loan interest | 449 |   |
| Bank charges and interest | 178 |   |
| General expenses | 214 |   |
| Trade debtors | 1560 |   |
| Stock in trade 1 may 2009 | 1260 |   |
| Land & Buildings at cost | 13,650 |   |
| Plant and machinery at cost | 8,500 |   |
| Provision for depreciation |   | 1450 |
| Motor vehicles | 6,200 |   |
| Provision for depreciation |   | 2600 |
| Drawings | 2,300 |   |
| Bad Debts | 79 |   |
| [File:PRINCIPLES OF ACCOUNTING (ACCT 010) 1ST TRIMESTER 2014 01.png](http://online.kemu.ac.ke/kemuwiki/index.php?title=Special:Upload&wpDestFile=PRINCIPLES_OF_ACCOUNTING_(ACCT_010)_1ST_TRIMESTER_2014_01.png)Cash in Hand | 460 |   |
|   | 65,079 | 65,079 |

Additional information

1. Closing stock in trade was valued at sh.1,468,000

2. Insurance paid in advance amounted to sh.55,000

3. The unpaid telephone bills as at 30th April 2010 amounted to sh.73,000

4. April 2010 wages amounting to sh.320,000 were paid on 5th May 2011

5. He depreciation on fixed assets provided on straight line basis at the following rates

|  |  |
| --- | --- |
| Plant and machinery | 20% |
| Motor vehicles |   | 25% |

6. Make provision for bad and doubtful debts at 5% of trade debtors

Required

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| --- | --- |
| * The income statement for the year ended 30th April 2010
 | (14 Marks) |

* Balance sheet as at 30th April 2010

**Question Two**

|  |  |  |  |
| --- | --- | --- | --- |
| * Explain the imprest system of a petty cash book
 |   |   | (5 Marks) |

* Mr. Charlo keeps his petty cash book on an imprest system. The amount spent is reimbursed on the last day of the month. The cash float is sh.6, 000. He made the following payments from the petty cash during month of October 2012

|  |  |  |
| --- | --- | --- |
| October | 2 | received a float of sh.6,000 |
|   |   | 3 | paid for repair of typewriter of sh.300 |
|   |   | 7 | paid for travelling expenses sh.500 |
|   |   | 12 | bought postage stamps sh.800 |
|   |   | 14 | paid for repair to machine sh.400 |
|   |   | 18 | bought postage stamps sh. 100 |
|   |   | 24 | paid travelling expenses | sh.600 |
|   |   | 28 | paid to A. Hassan ledger account sh.600 |
|   |   | 30 | paid for repairing cabinets sh. 300 |
|   |   | 31 | paid to O. Ochieng ledger account sh.400 |

Required:

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| --- | --- | --- | --- |
| Enter the above transactions in a petty cash book having four analysis traveling expense, postage, repairs & ledger accounts. |   |   | (15 Marks) |

**Question Three**

* Differentiate between the following

|  |  |  |  |
| --- | --- | --- | --- |
| * Outstanding expenses and prepaid expenses
 |   |   | (2 Marks) |
| * Outstanding income and prepaid income
 |   |   | (2 Marks) |
| * Bad debts and bad debts provision
 |   |   |   | (2 Marks) |
| * Explain any five accounting concepts and their meaning to a business entry
 |   |   |   |   |   |   |   |   |   |   |   | (10 marks) |

* Hassan sets up a new business. Before he actually sells anything he has bought motor vehicles if sh.30,000, premises sh.70,000, stock of goods sh.20,000. He still owes sh.8000 in respect of them.

|  |  |
| --- | --- |
| He had borrowed sh.40,000 from D. Evans. After the events just described and before trading starts he had sh.3000 cash in hand and sh.6,000 cash at bank. You are required to calculate the amount of his capital | (4 Marks) |

**Question Four**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| You are to enter the following items in the books, post to personal accounts and show transfers to the general ledger |   |   |   |   | (20 marks) |

2008

|  |  |  |
| --- | --- | --- |
| July | 1 | credit purchases from K. Daniel sh.3,800, M. Norman sh.5000 |
|   |   | N. services sh.10,600 |
|   | 4 | credit sales to E. Rigby sh.5,100, E. Philips sh2,460, F. Thompson |
|   |   | Sh.3560 |
| 5 | credit purchases from R. Morton sh.2000, J cook sh.1800, D. Edwards sh.4100 and C. Davies sh.660 |
| 8 | credit sales to A. Green sh.3070, H. George sh.2500, J. Ferguson sh.1850 |
| 12 | returns outwards to M. Norman sh.3000, N. Senior sh 160 |
| 14 | returns inwards from E. Phillips sh.180, F. Thompson sh.220 |
| 20 | credit sales to E. Phillips sh. 1880, F. Powell sh.3100 and |

E. Lee sh.4200

|  |  |  |
| --- | --- | --- |
|   | 24 | credit purchases from J Ferguson sh.5500 |
|   | 31 | returns inwards from E. Phillips sh.270, E. Rigby 300 |
|   | 31 | returns outwards to J. Cook sh. 130 and to C. Davies sh.110 |

**Question Five**

|  |  |
| --- | --- |
| * Explain the purposes for which control accounts are prepared
 | (4 Marks) |

* The balances and transactions affecting the control accounts of Boresha ltd for the month of December 2006 are listed below

|  |  |
| --- | --- |
|   | Sh. |
| Balances on 1st December 2006 |   |
| Sales ledger | 9,123,000 (debit) |
|   | 211,000 (Credit) |
| Purchases ledger | 4,490,000 (credit) |
|   | 88,000(debit) |
| Transactions during December 2006 |   |
| Purchases on credit | 18,135,000 |
| Allowances from suppliers | 629,000 |
| Receipts from customers by cheque | 27,370,000 |
| Sale on credit | 36,755,000 |
| Discount received | 1,105,000 |
| Payments to creditors by cheques | 15,413,000 |
| Contra settlements | 3,046,000 |
| Bills of exchange receivable | 6,506,000 |
| Allowances to customers | 1,720,000 |
| Customers cheques dishonored | 489,000 |
| Cash received from credit customers | 4,201,000 |
| Refunds to customers for overpayments | 53,000 |
| Discount allowed | 732,000 |
| Balances on 31st December 2006 |   |
| Sales ledger | 136,000 (Credit) |
| Purchases | 67,000 (debit) |

Required:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The sales ledger and purchases ledger control accounts for the month of December 2006 and show the respective debit and credit closing balances on 31st December 2006 |   |   |   |   |   |   |   | (16 Marks |