PRINCIPLES OF ACCOUNTING B(ACCT 010) 3RD TRIMESTER 2014

**KENYA METHODIST UNIVERSITY**

**END OF 3'***RD '***TRIMESTER 2014 (FT) EXAMINATION**

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

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

**Instructions: Answer question one and any other two questions.**

**Question One**

* Kamau carries on a business dealing with sale of outospares. His trial balance for the year ended 31/1/2013 was as follows

|  |  |  |
| --- | --- | --- |
|   | Dr. (Kshs. 000) | Cr. (Kshs. 000) |
| Motor vehicles | 3000 |   |
| Fixtures | 2000 |   |
| Stock 1/1/13 |   | 15000 |
| Purchases | 7000 |   |
| Rent | 1000 |   |
| Salaries and wages | 1000 |   |
| Electricity | 500 |   |
| Telephone | 400 |   |
| Motor vehicle expenses | 500 |   |
| Discount allowed/received | 600 | 500 |
| Returns inwards | 1000 |   |
| Returns outwards |   | 500 |
| Debtors | 4000 |   |
| Creditors |   | 3000 |
| Cash | 2000 |   |
| Bad debts | 500 |   |
| Provision for bad debts |   | 500 |
| Drawings | 1000 |   |
| Capital |   | 6000 |
|   | 25500 | 25500 |

Additional information

1. Rent outstanding at the end of the year amount to Ksh. 200,000

2. Salaries and wages paid in advance. Amount to ksh. 100,000

3. Accrued electricity is ksh. 50,000

4. Prepaid telephone basis is ksh. 100,000

5. Stock at 31/12/13 amount to ksh. 3,000,000

6. Provision for bad and doubtful debt is to be set at 10% of debtors.

7. Depreciation is provided on motor vehicles and fixtures at 10% and 20% respectively on cost.

Required

|  |  |
| --- | --- |
| * Trade profit and loss account for the year ended 31/12/13.
 | (12mks) |
| * Balance sheet as at 31/12/13.
 |   |   |   |   |   | (8mks) |

|  |  |  |
| --- | --- | --- |
| * Discuss five qualities of good accounting information.
 |   | (10mks) |

**Question Two**

|  |  |  |
| --- | --- | --- |
| * Highlight five errors that do affect the trial balance.
 |   | (5mks) |

* Differentiate between the following terms as used in accounting

|  |  |  |  |
| --- | --- | --- | --- |
| * Prepaid expenses and accrued expenses.
 |   |   | (2mks) |
| * A debit entry and credit entry.
 |   |   |   |   | (2mks) |
| * Discount allowed and discount received.
 |   |   | (3mks) |
| * Discuss four factors that causes changes in a firms capital.
 | (8mks) |

**Question Three**

* The following transactions relate to Munene traders during the month of March 2014.

|  |  |
| --- | --- |
| March 1 | Started business with Ksh. 200,000 in the bank |
| March 2 | Purchased goods worth ksh. 50000 via cheque |
| March 3 | Sold goods by cash ksh. 10,000 |
| March 13 | Bought equipment from Maasai traders of kshs. 80,000 on credit |
| March 15 | Sold goods worth 15,000 to Kemere on credit |
| March 16 | Kamere returned goods worth shs. 2000 due to them being faulty |
| March 21 | Took goods worthy ksh. 3000 for personal use |
| March 25 | Took ksh. 10000 from the cash in to the bank account |
| March 31 | Paid salaries via cheque of ksh. 60,000 |

Required

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Pass the necessary journal entries. |   |   |   |   |   | (8mks) |
| * Open relevant accounts to record the above transactions and balance them.
 |   |   |   |   |   |   |   |   |   |   |   | (12mks) |

**Question Four**

|  |  |  |  |
| --- | --- | --- | --- |
| * Explain any five uses of accounting information giving atleast one reasons why they need the information for each of them.
 |   |   | (10mks) |

* Explain the following accounting concepts
* Double entry concept
* Accruals basis of accounting
* Money measurement concept
* Entity concept

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| * Matching principle.
 |   |   |   |   |   |   | (10mks) |

**Question Five**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| * Explain five causes of the differences between bank balance as per the cash book (bank column) and the bank statement.
 |   |   |   | (5mks) |

* From the following statement prepare a three column cash book duly balance and post the totals of discount received and discount allowed in the ledger

|  |  |
| --- | --- |
| January 2013 |   |
| 1 | Cash sales os ksh. 150000. Paid wages ksh. 30000 by cash. |
| 2 | Deposited ksh. 100,000 in the bank account |
| 7 | Received a cheque from Ouma of Ksh. 100,000 in settlement of his account. He had been allowed a discount of 3000. |
| 8 | Paid rent UR degree ksh. 70,000 |
| 9 | Cash sales of ksh. 100,000. She banked ksh. 50,000 |
| 21 | Paid Kinya the amount due for purchases kshs. 50,000 less 2.5% discount the payment of ksh. 50,000 is after the discount received |
| 21 | Paid Mathias ksh. 38,000 |
| 30 | Paid electicity ksh. 2500, water 3000 in cash. |
| 31 | Withdrew ksh. 20,000 from bank for personal use. |

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|   |   |   |   |   |   |   |   |   |   | (15mks) |