PRINCIPLES OF ACCOUNTING I (ACCT 010) 1ST TRIMESTER 2015

**KENYA METHODIST UNIVERSITY**

**END OF 1'***ST '***TRIMESTER 2015 (FT) EXAMINATION**

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

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

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

**Question One**

* Patel has the following Assets and liabilities as on 31st April 2002.

|  |  |
| --- | --- |
|   | Ksh. |
| CreditorsEquipmentMotor vehiclesStocksDebtorsCash at bankCash in hand | 15,80046,00025,16024,60023,08029,120160 |

During the first week of May 2002 patel

* Boutht extra equipment on credit for Kshs. 5,520
* Bought extra stock by cheque Ksh. 2,280
* Paid creditors by cheque Ksh. 3,160
* Debtors paid Ksh. 3,300 by cheque and Ksh. 240 by cash
* Patel put extra ksh. 1,000 cash as capital.

Required

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| * Determine the capital as at 1st May 2002
 |   |   |   | (10mks) |
| * Draw up a balance after the above transactions have been completed.
 |   |   |   |   |   |   |   |   |   |   |   |   | (10mks) |
| * Identify any five users of accounting information and how each of them requires the information.
 |   |   |   |   |   |   | (10mks) |

**Question Two**

Write up a three column cash book from the following information, balance off at the end of the month and show the relevant discounts acconts as they would appear in the general leger.

|  |  |
| --- | --- |
| October 1 | Started business with shs. 25,000 |
| October 2 | Bought goods by paying cheque shs. 3,800 |
| October 3 | Bought goods from H.Marshall shs. 5,000 |
| October 4 | Sold goods to ABC Co. shs. 2, 600 |
| October 5 | Cashed a cheque for office use shs. 2,000 |
| October 6 | Bought goods from XYZ Co. shs. 7400 |
| October 7 | Sold goods to M. Kariuki shs. 3700 |
| October 8 | Paid expenses in cash shs. 300 |
| October 10 | Sold goods for cash shs. 2,500 |
| October 11 | Paid to H. Marshall by cheque the amount due to him less 5% |
| October 12 | Received from ABC Co. cheque of the amount due less 4% cash discount |
| October 13 | Paid expense in cash shs. 250 |
| October 17 | Paid to XYZ Co. by cheque by deducting cash discount 3% |
| October 20 | Received cash from M.Kariuki discount allowed 2½% |
| October 30 | Paid wages in cash shs. 1,000 |
| October 30 | Banked cash keeping a balance of cash in hand shs. 500 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   |   |   |   |   |   |   |   |   |   |   | (20mks) |

**Question Three**

The following is a trial balance of Mohamed Abdi. Draw up a

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| * Trading and profit and loss account fr the year ended 30th September 2002.
 |   |   |   |   |   |   |   |   |   |   |   | (10mks) |
| * Balance sheet as at 30th September 2002
 |   |   |   | (10mks) |

|  |  |  |
| --- | --- | --- |
|   | Dr | Cr |
| Item | Shs. | Shs. |
| Stock 1st October 2000 | 23,680 |   |
| Carriage outwards | 2,000 |   |
| Carriage inwards | 3,100 |   |
| Return inwards | 2,050 |   |
| Retrun outwards |   | 3,220 |
| Purchases | 118,740 |   |
| Sales |   | 186,000 |
| Salaries and wages | 38,620 |   |
| Rent | 3,040 |   |
| Insurance | 780 |   |
| Motor expenses | 6,640 |   |
| Office expenses | 2,140 |   |
| Lighting and heating expenses | 1,660 |   |
| General expense | 3,140 |   |
| Premises | 50,000 |   |
| Motor vehicles | 18,000 |   |
| Fixtures and furnitures | 3,500 |   |
| Debtors | 38,960 |   |
| Creditors |   | 17,310 |
| Cash at bank | 4,820 |   |
| Drawings | 12,000 |   |
| Capital |   | 126,360 |
|   | 332,890 | 332,890 |

**Question Four**

Define the following accounting concepts and for each explain their implication in the preparation of financial statements

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| * The going concern concept.
 |   |   |   |   | (5mks) |
| * Business entity concept
 |   |   |   |   |   | (5mks) |
| * Materiality concept
 |   |   |   |   |   |   | (5mks) |
| * Realization concept
 |   |   |   |   |   |   | (5mks) |

**Question Five**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| * State the users of accounting information and how each of the four uses the accounting information.
 |   |   |   |   |   | (8mks) |

* Muriungi has the following items in his balance sheet as on 30 June 2009.

|  |  |
| --- | --- |
|   | Kshs. |
| Capital | 41,800 |
| Creditors | 3,200 |
| Fixtures | 7,000 |
| Motor vehicles | 8,400 |
| Stock of goods | 9,900 |
| Debtors | 6,500 |
| Cash at bank | 12,900 |
| Cash in hand | 240 |

During the first week of July 2009:

* He bought extra goods of Ksh. 1,540 on credit
* One of the debtors paid him kshs. 560 in cash
* He bought extra fixture by cheque ksh. 2,000

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| You are required to draw up a balance sheet as on 7 July 2002 after the above transactions have been completed. |   |   |   |   | (12mks) |

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