PRINCIPLES OF ACCOUNTING B(ACCT 010) 2ND TRIMESTER 2015

**KENYA METHODIST UNIVERSITY**

**END OF 2'***ND '***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 |

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

**INSTRUCTIONS**

*Answer question one and any other two questions*

**Question One**

|  |  |  |  |
| --- | --- | --- | --- |
| * Differentiate between bookkeeping and accounting
 |   |   | (5 Marks) |
| * In details, explain the accounting equation.
 |   |   |   | (5 Marks) |

* The following trial balance was extracted from the books of Tumbonge as at 31st Dec 2014

|  |  |  |
| --- | --- | --- |
|   | DR | CR |
| Sales |   | 210,420 |
| purchases | 108,680 |   |
| inventory: Ist jan 2014 | 9,410 |   |
| Carriage Outwards | 1,115 |   |
| Carriage Inwards | 840 |   |
| Return Inwards | 4,900 |   |
| Return Outwards |   | 3,720 |
| Salaries and Wages | 41,800 |   |
| Motor Expenses | 912 |   |
| Rent | 6,800 |   |
| Sundry Expenses | 318 |   |
| Motor Vehicles | 14,400 |   |
| fixtures and fittings | 912 |   |
| Accounts receivable | 23,200 |   |
| Accounts payable |   | 14,100 |
| Cash at Bank | 4,100 |   |
| Cash in Hand | 240 |   |
| Drawings | 29,440 |   |
| capital |   | 18,827 |
|   | 247,067 | 247,067 |

Required:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| * Prepare his income statement for the year ending 31st December 2014
 |   |   |   |   |   |   |   |   |   |   | (12 Marks) |
| * Prepare a balance sheet as at 31st December 2014 showing all balance sheet items
 |   |   |   |   |   |   |   | (8 marks) |

NB:

Inventory at 31st December 2014 was 11,290

**Question Two**

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

* Differentiate between

|  |  |  |  |
| --- | --- | --- | --- |
| * Prepaid expenses and accrued expenses
 |   |   | (2 marks) |
| * A debit entry and credit entry
 |   |   |   |   | (2 marks) |
| * Discount allowed and discount received
 |   |   |   | (3 marks) |
| * Discuss four factors that cause changes in a firm’s capital.
 | (8 marks) |

**Question Three**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| * Define a bank reconciliation statement
 |   |   |   |   | (4 Marks) |

* From the following, draw up a bank reconciliation statement from details as on 31st December 2014
* Cash at bank as per bank column of the cashbook 2,910

|  |  |  |  |
| --- | --- | --- | --- |
| * Cash at bank as per bank statement
 |   |   | 3,420 |
| * Unpresented cheques
 |   |   |   |   | 730 |
| * Cheques received and paid into the bank but not yet entered on the bank statement
 |   |   |   |   |   | 560 |
| * Credit transfers entered as banked on the bank statement but not entered in the cashbook
 |   |   |   |   | 340 |   |   |   |   |   |   |   |   |   |   |   |   | (16 marks) |

**Question Four**

|  |  |  |
| --- | --- | --- |
| * Explain any five users of accounting information giving at least one reason why they need the information for each one of them.
 |   | (8 marks) |

* On 1st January 2014, Achieng commenced business with cash in hand of sh.20,000 and cash at bank of 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 customer for returned goods | 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 chair and desk by cheque | 9,600 |
| 24 | sold goods on credit to Alice Owino | 5,600 |
| 25 | Alice Owino settled his account in full by cash | 5,500 |
| 28 | bought goods on credit from Thomas | 4,400 |
| 30 | received a credit note from Thomas | 400 |
| 31 | paid Thomas by cheque to settle his account | 3,800 |

Required:-

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Post the above transactions in the ledger of Achieng and extract a trial balance as at 31st January 2014 |   |   |   |   |   |   |   | (12 Marks) |

**Question Five**

* Mr. Kahora sets up a new business. He introduced a motor vehicle of shs.300,000, premises of shs.700,000, stock of goods shs.200,000. He owes sh.800 to Moses on goods he had received. He borrowed shs.4,000 from limo. Before trading started, he had cash in hand of sh.300,000 and cash at bank .

Required:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Calculate the amount of his capital. |   |   |   |   |   | (10 marks) |

* Explain the following concepts as used in the accounting process

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| * Invoice
 |   |   |   |   |   |   |   |   | (2 Marks) |
| * Credit note
 |   |   |   |   |   |   |   | (2 marks) |
| * Debit note
 |   |   |   |   |   |   |   | (2 Marks) |
| * Statement of account
 |   |   |   |   |   |   | (2 Marks) |
| * Delivery note
 |   |   |   |   |   |   |   | (2 marks) |

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