PRINCIPLES OF ACCOUNTING (ACCT 010) FT 2ND TRIMESTER 2016

**KENYA METHODIST UNIVERSITY**

**END OF 2'***ND '***TRIMESTER (FT) 2016 EXAMINATION**

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

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

**Instructions: Answer Question One and any other Two Questions.**

**Question One**

* Mr. Lane has given you the following balances extracted from his books as at 30th June 2008.

Sh

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Sales |  |  |  |  |  | 265,900 Purchases |  |  |  |  | 154,870 Rent |  |  |  |  |  | 4,200 Lighting and heat expenses 530 Salaries and wages 51,400 Insurance 2,100 Buildings 85,000 Fixtures 1,100 Accounts Receivable 31,300 Sundry expenses 412 Accounts payable 15,910 Cash at bank 14,590 Drawings 30,000 Vans 16,400 Motor running expenses 4,110 Capital 114,202 Inventory 16,280 |

**Required:**

* From the above balances, prepare his trial balance as at 30 June 2008.

(6 marks)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| * Prepare his Trading, profit and loss A/c for the month. | | | | | | | | | | | | | | (8 marks) |
| * Prepare his balance sheet as at 30 June 2008. | | | | | | | | | | | |  |  | (6marks) |
| * Discusses the importance of accounting to the various users. |  |  |  |  |  |  |  |  |  |  |  |  | (10marks) |  |

**Question Two**

|  |  |
| --- | --- |
| a) | Define and explain the relevance of the following accounting concepts. |

(10marks)

* Neutrality
* Money measurement
* Accruals
* Substance over form

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| * Consistency |  |  |  |  |  |  |  |  |  |

D Moody has the following assets and liabilities as at 31 April 2011

Creditors 15,800  
Equipment 46,000  
Motor vehicle 25,160  
Stock 24,600  
Debtors 23,080  
Cash in hand 160  
Cash at bank 29,120

During the first week of May 2011 Moody

Bought extra equipment on credit Shs5520

Bought extra stocks by cheque Shs2280

Paid creditors by cheque shs3160

Debtors paid shs3360 by cheque and shs240 by cash

Moody put in extra shs1000 cash as capital

|  |  |
| --- | --- |
| **Required** b) | Determine the capital as at 1st may 2011 |

Draw up a statement of financial statement after the above transactions have been completed

|  |  |  |  |
| --- | --- | --- | --- |
| c) | Define a book of original entry and state its purpose |  | (10marks) |

**Question Three**

A THREE-column cash-book for a wine wholesaler is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.

2008 March

1. Balance brought forward: cash sh 620, bank sh. 7,142

2. The following paid their accounts by cheque in each case deducting 5 percent cash discounts G. Slide sh. 260; P Fish sh. 320; T Old sh. 420 (all amounts are pre-discount)

3. Paid rent by cheque sh. 430

6. F. Black lent us sh. 5,000 paying by cheque

8. We paid the following accounts by cheque in each case deduction 2 ½  
per cent cash discount: R white Sh. 720; G Green shs 960; L.Flip sh.1,600.

10. Paid motor expenses in cash sh. 81.

12. J. Pie pays his account of sh. 90 by cheque sh. 88 deducing sh.2 cashDiscount.

15. Paid wages in cash sh.580

8. The following paid their accounts by cheque in each case deducting 5% cash discount. APony sh. 540; B Line & son sh. 700; T. Owen sh. 520

21. Cash withdrawn from the bank for business use sh. 400

24. Cash drawings sh. 200

25. Bought fixtures paying by cheque sh. 720

**Question Four**

|  |  |
| --- | --- |
| a) | Explain the adjustments in the financial statements for the following: Expenses accrued at year end |

Incomes received in advance

Depreciation of fixed assets

Bad debt provision

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Bad debts written off. |  |  |  |  |  | (10marks) |
| b) | | | | | | Distinguish between carriage inwards and carriage outwards. How are |
| they treated in the financial statements? | | |  |  | (4marks) c) | Enter the following items in the books, post to personal accounts and |
| show transfers to the general ledgers. | | | |  |  | (10 marks) |

March

1 Credit purchases from K. Hill shs3800, M.Morman shs500, M.Senior shs.106

3 Credit sales to E.Rigley shs.510, E.Philips shs246, F.Thompson shs.356

5 Credit purchases from R.Morton shs2, J.Cook shs180, D.Edwardsshs 410, C.Daviesshs 66

8 Credit sales to A.Green shs307, H. George shs250, J. Ferguson shs185

12 Returns outwards to M.Norman shs30, N.Senior shs16

14 Returns inwards from E.Philips shs18, F.Thompsonshs 22.

20 Credit sales to E.Philipsshs 188, F.Powellshs 310, E.Leeshs 420.

24 Credit purchases from Ferguson shs 550, K. Enuvorshs 900.

31 Returns inwards from E.Philipsshs 27, E.Rigleyshs 30

31 Returns outwards to J. Cook shs13, C.Davies shs11

**Question Five**

Prepare journal entries from the following transactions and extract a trial balance

July:

1 Started business with sh. 5,000 in bank and sh. 1,000 cash.

2 Bought stationery by cheque sh. 75

3 Bought goods on credit from smart sh. 2,100

4 Sold goods for cash sh. 340

5 Paid insurance by cash sh. 290

7 Bought a computer on credit from Hott. Sh. 700

8 Paid expenses by cheque sh. 32

10 Sold goods on credit to Biggins sh. 630

11 Returned goods to Smart sh. 550

14 Paid wages by cash. Sh. 210

17 Paid rent by cheque sh. 225

20 Received a cheque sh. 400 from Biggins

21. Paid Hott by cheque 700

23. Bought stationary on credit from News Ltd 125

|  |  |  |  |
| --- | --- | --- | --- |
| 31. Sold goods on credit to F Tank sh. 645. |  |  | (20marks) |