



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN PERSONNEL MANAGEMENT II

BB 22022: ACCOUNTING & CONTROL

STAGE EXAMS

SERIES: APRIL/MAY 2010.

TIME: 3 HOURS

INSTRUCTIONS TO CANDIDATES:

Answer all the **FIVE** Questions.

Q.1 Mr. Matata, a sole trader, extracted the following trial balance from his books at the close of business on 31 December 2009:

	Dr. Shs.	Cr. Shs.
Sales		400,000
Purchases	350,000	
Sales returns	5,000	
Purchases returns		6,200
Opening inventory at January 2009	100,000	
Allowance for doubtful debts		800
Wages and salaries	30,000	
Rates	6,000	
Telephone	1,000	
Shop fittings at cost	40,000	
Accounts receivable and accounts payable	9,800	7,000
Van at cost	30,000	
Bad debts	200	
Bank balance	3,000	
Capital		179,000
Drawings	<u>18,000</u>	
	<u>593,000</u>	<u>593,000</u>

Additional information:

- a. Closing inventory at 31st December 2009, sh.120,000.
- b. Accrued wages sh.5000.
- c. Rates prepaid sh.500.
- d. The allowance for doubtful debts to be increased to 10% of accounts receivable.
- e. Telephone account outstanding sh.220.
- f. Depreciate shop fittings at 10% p.a. and van at 20% p.a on cost.

Required:

- i. Income statement for the year ending 31st December 2009.
- ii. A balance sheet as at that date.

[20 marks]

Q.2 Kamau and Juma are in partnership sharing profits and losses in the ratio 3:2. The following is their Trial Balance as at 30th September 2009:

	DR. Shs.	CR. Shs.
Building (cost sh.210,000)	160,000	
Fixtures at cost	8,200	
Provision for depreciation: fixtures		4,200
Accounts receivable	61,400	
Accounts payable		26,590
Cash at bank	6,130	
Inventory at 30 th September 2008	62,740	
Sales		363,111

Purchases	210,000	
Carriage outwards	3,410	
Discounts allowed	620	
Loan interest: Mutiso	3,900	
Office expenses	4,760	
Salaries and wages	57,809	
Bad debts	1,632	
Allowance for doubtful debts		1,400
Loan from: Mutiso		65,000
Capitals: Kamau		100,000
Juma		75,000
Current accounts: Kamau		4,100
Juma		1,200
Drawings: Kamau	31,800	
Juma	<u>28,200</u>	
	<u>640,601</u>	<u>640,601</u>

Additional information:

- Inventory, 30th September 2009 sh.74,210
- Expenses to be accrued: office expenses sh.215 wages sh.720
- Depreciate fixtures by 15% on reducing balance basis, buildings sh.5000
- Reduce provision for doubtful debts to sh.1,250
- Partnership salary sh.30,000 to Kamau. Not yet entered.
- Interest on drawings, Kamau sh.900 Juma sh.600.
- Interest on capital account balances at 5%.

Required:

- Income statement and profit and loss appropriation account for the year ending
- 30th September 2009.
- A balance sheet as at that date. [20 marks]

Q.3 (a) Distinguish between a single entry system and a double entry system. [4 marks]

(b) On May 2008, Abdallah who is a retailer, had the following balances in his books:

Premises sh.70,000
Equipment sh.8,200
Vehicles sh.5,100
Inventory sh.9,500
Trade accounts receivable sh.150

Abdallah does not keep proper books of accounts, but bank statements covering the 12 months from 1 May 2008 to 30 April 2009 were obtained from the bank and summarized as follows:

Money paid into bank:	sh.
Extra capital	8,000
Shop takings	96,500
Received from debtors	1,400

Payments made by cheque:

Paid for inventory purchased	70,500
Purchase of delivery van	6,200
Vehicle running expenses	1,020
Lighting and heating	940
Sales assistants wages	5,260
Miscellaneous expenses	962

It has been discovered that in the year ending 30th April, 2009, the owner had paid into the bank all shop takings a part from cash used to pay

- i. Sh.408 miscellaneous expenses and
- ii. Sh.500 per month drawings.

At 30th April 2009:

Sh.7600 was owing to suppliers for inventory bought on credit:

The amount owed by trade accounts receivable is to be treated as a bad debt. Assume that there had been no sales on credit during the year.

Inventory was valued at sh.13,620

Depreciation for the year was calculated at sh.720 (equipment) and sh.1,000 (vehicles).

Required:

Income statement for the year ending 30th April 2009. (Show all necessary workings separately).

[16 marks]

Q.4 (a) The bank statement for R. Hood for the month of March 2006 is:

2006	Dr.	Cr.	Balance
	£	£	£
Mar 1 balance			4200 O/D
8 T. Macleod	184		4384 O/D
16 Cheque		292	4092 O/D
20 W.Milne	160		4252 O/D
21 Cheque		369	3883 O/D
31 G.Frank: traders credit		88	3795 O/D
31 TYF: standing order	32		3827 O/D
31 Bank charges	19		3846O/D

The cash book for March 2006 is:

2006	Dr.	£	2006	Cr.	£
Mar	16 G.Philip	292	mar	1 balance b/d	4,200
	21 J Forker	369		6 T. Macleod	184
	31 Spencer	192		30 W. Milne	160
	31 Balance c/d	<u>4195</u>	30 S. porter	<u>504</u>	
		<u>5048</u>		<u>5048</u>	

Required:

- i. Write the cashbook up to date
- ii. Draw up a bank reconciliation statement as on 31 March 2006. **[8 marks]**

- (b) The Trial Balance of outside books Ltd revealed a difference in the books. The following information is provided:

2008

Jan	1	Purchases ledger balances	19,420
		Sales ledger balances	28,227
		Totals for the year 2008:	
		Purchases journal	210,416
		Sales journal	305,824
		Returns outwards journal	1,452
		Returns inwards journal	3,618
		Cheques paid to suppliers	205,419
		Petty cash paid to suppliers	62
		Cheques and cash received from business	287,317
		Discount allowed	4,102
		Discount received	1,721
		Balances on the sales ledger set off against	
		Balances in the purchases ledger	640

Dec 31: The list of balances from the purchases ledger shows a total of sh.20210 and that from the sales ledger a total of sh.38,374.

Required:

Prepare control accounts and show where an error may have been made. **[12 marks]**

Q.5 Write short explanatory notes on the following accounting concepts:

- i. The prudence concept
- ii. The going concern concept
- iii. The materiality concept
- iv. The accrual concept
- v. The dual aspect concept.

[20 marks]