



## MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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### University Examinations 2010/2011

**FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA IN BUSINESS  
ADMINISTRATION/CERTIFICATE BUSINESS ADMINISTRATION/DIPLOMA IN PURCHASING AND SUPPLIES  
MANAGEMENT**

**DBA 0105: PRINCIPLES OF ACCOUNTING**

**DATE: DECEMBER 2010**

**TIME: 1½ HOURS**

**INSTRUCTIONS: Answer Question One and any Other Two Questions**

**QUESTION ONE – (30 MARKS)**

- (a) Highlight on the following basic assumptions which underlie the periodic financial accounts of business enterprises.
- (i) The going concern concept (2 Marks)
  - (ii) The accrual concept (2 Marks)
  - (iii) The consistency concept (2 Marks)
  - (iv) The concept of prudence (2 Marks)

The following is the trial balance extracted from the book of a sole trader, A.K David as at 31<sup>st</sup> December 2009

	Dr (Shs)	Cr (Shs)
Stock 1/1/2009	50,000	
Free hold premises	240,000	
Bills receivable	30,000	
Purchases	280,000	
Salaries & wages	35,000	
Sales		520,000
Fixtures and fittings	25,000	
Discount allowed	7,500	
Discount received		4,500
Plant & Machinery	140,000	
Rates	5,600	

Advertising	10,400	
Insurance	3,800	
General expenses	7,200	
Provision for bad debts		1,800
Sundry debtors	60,000	
Bills payable		15,000
Sundry creditors		43,000
Cash in hand	2,400	
Bank overdraft		18,600
Drawings	6,000	
Capital account		300,000
	<u>902,900</u>	<u>902,900</u>

The following additional information is provided:

- (a) Provide for depreciation of plant & machinery at 10% P.a and fixtures & fittings at 15% P.a.
- (b) Increase the provision for bad debts to an amount equal to 4% of sundry debtors.
- (c) Prepaid insurance amount to Ksh500
- (d) Rates accrued Ksh400
- (e) Closing stock was Ksh60,000
- (f) During the year Mr. A.K David took goods worth Ksh2,000 for his personal use.

**Required:**

- (i) Prepare Income statement. (12 Marks)
- (ii) Balance sheet. (10 Marks)

**QUESTION TWO – (20 MARKS)**

- (a) The balance in the cashbook of Mr. Chuma as at 31/12/03 was Sh30,000. On the same date, the balance as per the bank statement was Sh50,000 (credit). On examining the bank statement and the cashbook the following differences were observed.
  1. Cheque totaling Sh8,000 had been pad into the bank on 31/12/03 but were not credited by the bank until 1/1/04
  2. Bank charges amounted to Sh600
  3. A standing order to KPLC of 800 had been paid by the bank but not entered in the cashbook.
  4. Interest income amounting to sh13,000 collected by the bank did not appear in the cash bank
  5. Amounts paid to suppliers but not presented for payment to the bank amounted to Sh.16,500

**Required**

- (a) Adjusted cashbook balance (10 Marks)
- (b) Bank reconciliation statement. (10 Marks)

### QUESTION THREE – (20 MARKS)

Jane and Onyango are in partnership sharing profits and losses in the ratio 3:2 respectively after crediting their accounts with interest on capital at 10% p.a and monthly salaries of Sh15,000 and Ksh20,000 respectively. Interest on drawing is charged at 5% p.a. their trial balance as at 31/12/03 after drawing profit and loss account is as follows.

	Dr	Cr
Capital		
Jane		500,000
Onyango		400,000
Current		
Jane		20,000
Onyango		10,000
Drawing		
Jane	225,000	
Onyango	215,000	
Net profit		800,000
Fixed assets (cost)		
Land and buildings	500,000	
Plant and machinery	300,000	
Motor vehicle	200,000	
Accumulated depreciation		
Land and buildings		100,000
Plant and machinery		50,000
Motor vehicle		50,000
Debtors	1,000,000	
Stock	200,000	
Cash	290,000	
Creditors		100,000
	<u>2,030,000</u>	<u>2,030,000</u>

#### **Required:**

- (i) Profit and loss appropriation account. (10 Marks)  
(ii) Partners currents accounts (10 Marks)

### QUESTION FOUR – (20 MARKS)

M. Kariuki had the following balances on July 1 2009:

Cash Ksh2,500,000  
Bank Ksh7,400,000

The following transactions took place during the month of July.

July 2 bought goods by cheque Ksh2,000,000

July 3 cash sales Ksh1,800,000

July 5 banked cash Ksh2,000,000

July 6 paid by cheque, in each case, cash discount received 3%.

A. John Ksh1,500,000

H. Hofman Ksh3,000,000

D. Jackson Ksh1,400,000

July 7 received by cheque in each case discount allowed 5%

B. Shaw Ksh4,000,000

B. Benhim Ksh3,000,000

j. Maltheu 3,200,000

July 10 bought office furniture by cheque Ksh3,000,000

July 15 cash drawings Ksh500,000

July 20 paid to A. Adleman Ksh800,000 cash less 3%

July 22 received cash from A. Smith Ksh1,500,000 less 4%

July 30 paid wages in cash Ksh1,000,000

**Required:**

Prepare Kariuki three column cash book.

(20 Marks)