

UNIT TITLE: Principles of Accounting I

UNIT CODE: ACCT 112

INSTRUCTIONS

- *Answer Question One and any other Two Questions*

Question One

Ouma Musa carries a business dealing with sales of household goods. His total balances for the year ended 31/12/03 are as follows:

	Dr	Cr
Motor vehicles		3,000
Fixtures	2,000	
Stock 1/1/03		1,000
Sales		15,000
Purchases	7,000	
Rent		1,000
Salaries and Wages		1,000
Electricity	500	
Telephone	400	
Motor vehicle expenses		500
Discounts	600	500
Returns	400	500
Debtors	1,000	
Creditors		3,000
Cash		2,000
Bad debts	500	
Provision for bad and doubtful debts		500
		1

Drawings	1,000
Capital	<u>6,000</u>
<u>25,000</u>	<u>25,000</u>

Additional information:

- 1) Rent outstanding at the end of the year amount is sh. 200
- 2) Salaries and wages paid in advance amount to sh. 100
- 3) Assured electricity is sh. 50
- 4) Prepared telephone bills is sh. 100
- 5) Stock as at 31/12/03 amount to sh. 3,000
- 6) Provision for bad and doubtful debt is to be set as at 10% of debtors
- 7) Depreciation is provided on motor vehicles and fixtures at 10% and 20% respectively on cost

Required:

- Trading profit and loss account for the year ended 31/12/03
- Balance sheet as at 31/12/03 (20 Mks)
- Identify clearly any five items of accounting information explain their information needs. (10 Mks)

Question Two

- Explain the term "bank reconciliation" and state the reasons for its preparation. (5 Mks)
- Differentiate between a petty cash book and a three column cash book. (5 Mks)
- Give brief definition of memorandum of association, article of association and certificate of incorporation. (5 Mks)
- Kageni acquired a motor at a cost of sh. 5,000,000. The expected useful life of the asset is 4 years. Depreciation is charged using sum-of-digit method.

Required:

Compute depreciation charged for each of the years. (5 Mks)

Question Three

- Using the accounting equation fill in the blank spaces below. (5 Mks)

Capital	Assets	Liabilities
100,000		23,000
		147,000
25,000	100,000	
15,000	56,550	
149,490	38,000	68,000

- Write brief notes on the following errors

- Error of omission
- Error of commission
- Error of principle
- Compensating errors

- Error of original entry (15 Mks)

Question Four

- Briefly explain five reasons why the bank balance as per the cash book and bank statement may differ. (10 Mks)
- Poesha Limited keeps and purchases control accounts in the general ledges. The transaction for the month ended 30th April 2000 were as follows:

Sh.

Credit balance on 1 April 2000 - sale ledger	154,000
- purchase ledger	569,000
Debt balance on 1 April 2000 - ledger	956,000
- purchase ledger	196,000
Credit balance on 30 th April 2000 - sale ledger	178,000
Debt balance On 30 th April 2000 - purchase ledger	189,000
Credit purchases	2,450,000
Credit Sales	4,563,000
Cheques received from debtors	3,140,000
Cash received from debtors	1,367,000
Cheques payment to creditors	1,994,000
Cash payment to creditors	352,000
Bad debts written off	68,000

Discount received	104,000
Discount allowed	169,000
Control entry to sales ledges from purchases ledges	234,000
Refunds to debtors	62,000
Returns out words	138,000
Returns in words	231,000

Required:

Sale ledges and purchases ledge control accounts for the month ended 30th April 2000. (10 Mks)

Question Five

- Define depreciation on non-current assets. (2 Mks)
- J J cash book bank column for the month of December 2003 was as follows:

Date		Details	Amount	Date	Invoice No.	Details	Amount
1/12		Balance b/d	50,000	3/12	121	Furniture	15,000
4/12	020	Musa	15,000	5/12	122	Salaries	16,000
6/12	039	Kimani	13,000	8/12	123	KKK	15,000
12/12	026	Otieno	16,000	26/12	124	Jogoo	12,000
18/12	186	Juma	20,000	20/12	125	Okumu	10,000
				31/12		Balance C/d	46,000
			114,000				114,000

His bank statement was as follows:

Date	Details	Debit	Credit	Balance
1/12	Balance			50,000
3/12	121		50,000	35,000
4/12	020	15,000		50,000
5/12	122	-	15,000	34,000
6/12	Ledger fees	16,000		33,000
6/12	039	1,000		46,000
7/12	Interest	-	13,000	49,000
15/12	Telcom	-	3,000	47,000
25/12	Communication	2,000		46,000
31/12	Balance	1,000		46,000

Required:

- The adjusted cash book
- A bank reconciliation statement.

(18 Mks)