

UNIT TITLE: PRINCIPLES OF ACCOUNTING I

UNIT CODE: ACCT 112

INSTRUCTIONS

- Answer question one and any other two questions.

Question One (30 Marks)

- Accounting concepts and principles are broad basic assumptions that underlie the periodic financial accounts of business enterprises. Distinguish between the following accounting principles and concepts:-
- The principle of accruals and the principle of prudence/conservatism. (2 Marks)
- The Going concern principle and the separate entity principle. (2 Marks)
- The Historical Cost concept and the Consistency concept. (2 Marks)
- The materiality concept and the Realization concept. (2 Marks)

- Explain the nature of the accounting equation. (5 Marks)
- The following information was extracted from the books of Harusi Traders on 31st December 2012

DR		CR.	
DETAILS	AMOUNT	DETAILS	AMOUNT
Premises	250,000	Capital	4,29,000
Delivery Vans	170,000	Creditors	70,000
Debtors	80,000	Commission	6,000
Rent	5,600	Bank Overdraft	12,000
Carriage Outwards	9,000	Sales	290,000
Stock 1/1/2012	20,000	Returns Outwards	5,000
Insurance	15,000		
Bad Debts	1400		
Purchases	160,000		
Drawings	30,000		
Fistures & Fittings	40,000		
Returns inwards	8,000		
Cash in hand	23,000		
	812,000		812,000

Additional Information:

- Outstanding rent Shs.3,000
- Prepaid insurance Shs.6,500
- Stock at 3/12/2012 Shs.2,500
- Depreciate delivery van by 25%
- Depreciate Fixtures and fitting by 10%

Required:

- Prepare a trading profit and loss account for the year ended 31st December. (10 Marks)
- Prepare a balance sheet as of that date. (7 Marks)

Question Two

Nyangwa Traders had the following balances on 1st January 2012.

Capital 118,900

Cash 40,000

Land and buildings 100,000

Creditors 20,000

The following transactions took place in the year January 2012:

January 1: bought goods on credit 12000

January 2: Cash sales 6000

January 3: Cash purchases 9000

January 4: Paid for carriage inwards in cash Shs. 200

January 6: Returned goods for a creditor Shs.100

January 7: Cash sales Shs.4000

January 8: paid a creditor in cash 7000

January 10: Cash purchases Shs.2 500

January 12: The owner took cash from business Sh.300

For personal use.

January 14: Credit Sales 2400

Required: prepare the relevant account and balance them off on 14th (20
January 2012 and extract a trial balance as of that date. Marks)

Question Three

- Differentiate between accounting and bookkeeping. (5
Marks)
- Elaborate on the importance of the accounting function. (5
Marks)
- Distinguish between the internal and external users of accounting (10
information and discuss their information needs. Marks)

Question Four

Kamo traders operate a wholesale business. The following transactions relate to the

month of January 2012.

January 1: Sales on credit to Wanjiru and Akeyo were 250,000 and 160,000

respectively.

January 2: credit purchases: Suta 200,000, Katur shs 350,000, Wamba

shs.120,000, Cash Sales 72,000.

January credit sales: Mwangi Shs 12,500,
3: Abdi 100,000, Akeyo Shs 82,000 and Wanjiru 720,000.

January 5:

received a cheque for shs.25,000 from
Wanjiru after a cash
discount of 1500

January 6:

credit purchases: Kahu shs.220,000,
Salim shs.800,000, Suta
shs. 250,000

January 10:

Goods returned by Wanjiru Traders
shs.1800, Akeyo shs 3200,
cash sales amounted to shs 20,000.

January 12:

Credit sales: Abdi shs.199000,
Mwangi shs 32,00, Akeyo
sh.125,000.

January 14:

Wanjiru settled her account by
cheque after deducting 5 %
discount.

January 15:

Paid Suta 35,000 by cheque after
deducting 5 % cash discount.

January 20: goods returned by Mwangi 9000, Abdi 5000.

January 22: Credit sales: Wanjiru shs 420,000, Akeyo 250,000, Mwangi 620,200, Abdi 180,000.

January 25: Goods returned by Kamo traders to Suta shs.12,000, Kenu, shs 15,000.

January 25: Paid shs 5000 into the bank.

January 30: credit purchases: Wamba shs.355,000, Kahu shs 560,000.

January 30: Paid sundry expenses in Cash shs. 3,500

January 31: Goods returned to: Wamba sh. 21000, Suta shs 8,500. Withdraw shs.15,000 from bank for office use.

Required: Record the above information in the relevant journals. (20 Marks)

Question Five

- Define the following terms:
 - Business Transactions. (2 Marks)
 - Accruals, with specific reference to accrued revenues and accrued expenses. (2 Marks)
 - Prepayments with specific reference to prepaid expenses and prepaid revenues. (2 Marks)

- Depreciation. (2 Marks)

- Discuss at least two methods of providing for depreciation, giving examples of application of the two. (10 Marks)

- State the document used for each of the following purposes:
 - To support a credit sale of goods. (1 Mark)

 - To show evidence of payment for a cash sale. (1 Mark)