

**KABARAK**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS  
2011/2012 ACADEMIC YEAR**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**ACCT 110: FOUNDATIONS OF ACCOUNTING 1**

**DAY: THURSDAY**

**DATE: 2/08/2012**

**TIME: 3.00 – 5.00 P.M.**

**STREAM: Y1S1**

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**INSTRUCTIONS**

1. Answer ALL Questions
2. Be clear and neat and show the necessary workings
3. Begin a new question on a new page

### **QUESTION ONE**

a) Explain the main branches of accounting

(5 marks)

b) The following list of balances has been extracted from the books of Arap Boit (AB), a sole trader, as at the end of his financial year 30<sup>th</sup> June 2011

	Shs.
Capital	533,887
Sales	259,870
Trade creditors	19,840
Returns outwards	13,407
Provision for doubtful debts	512
Discounts allowed	2,306
Discounts received	1,750
Purchases	135,680
Returns inwards	5,624
Carriage outwards	4,562
Drawings	18,440
Carriage inwards	11,830
Rent, rates and insurance	25,973
Heating and lighting	11,010
Postage, stationery and telephone	2,410
Advertising	5,980
Salaries and wages	38,521
Bad debts	2,008
Cash in hand	534
Cash at bank	4,440
Stock as at 1 <sup>st</sup> July 2004	15,654
Trade debtors	24,500
Van at cost	450,000
Fixtures and Fittings at cost	120,740
Provision for depreciation on fixtures & fittings as at 30 <sup>th</sup> June 2011	63,020
Provision for depreciation on van as at 30 <sup>th</sup> June 2011	92,000

The following additional information as at 30<sup>th</sup> June 2011 is available:

- (i) Stock at the close of business was valued at shs. 17,750
- (ii) Insurances have been prepaid by shs. 1,120
- (iii) Heating and lighting is accrued by shs. 1,360
- (iv) Rates have been prepaid by shs. 5,435
- (v) The provision for doubtful debts is to be adjusted so that it is 3% of trade debtors
- (vi) Depreciate fixtures & fittings at 10% per annum and van at 15% per annum on cost

**Required:**

Arap Boit's Statement of comprehensive income for the year ended 30<sup>th</sup> June 2011 and statement of financial position as at that date (20 marks)

**QUESTION TWO**

- a) Distinguish between bad debts and provision for doubtful debts (3 marks)
- b) XYZ bought a motor vehicle on 1<sup>st</sup> January 2009 at a cost of shs 750,000. The motor vehicle was to be kept for 3 years and then sold for an estimated price of sh 420,000.

**Required**

- (i) Using the reducing balance method, show the figures for depreciation charges for the 3 years (3 marks)
- (ii) Show the provision for depreciation accounts for the 3 years (6 marks)
- (iii) Prepare extracts of the statement of financial position for the 3 years (3 marks)

**QUESTION THREE**

a) The following is the bank statement for Miss Portugeuse for the month of July 2011:

		Dr	Cr	Balance
		Shs.	Shs.	Shs.
July	1			51,970 O/D
	8	1,220		53,190 O/D
	16		2,440	50,750 O/D
	20	2,080		52,830 O/D
	21		3,330	49,500 O/D
	31		570	48,930 O/D
	31	490		49,420 O/D
	31	280		49,700 O/D

The cash book (Bank columns) for July 2011 is:

2011	Dr	Shs.	2011	Cr	Shs.
July 16	M Francis	2,440	July 1	Balance b/d	51,970
“ 21	Kinuthia S	3,330	“ 6	M David	1,220
“ 31	N.H. Simon	1,600	“ 30	K.B. Nik	2,080
“ 31	Balance c/d	52,800	“ 30	A Rao	4,900
		<u>60,170</u>			<u>60,170</u>

Required:

a)

- (i) Write the cash book upto date (7 marks)
- (ii) Draw up a bank reconciliation statement as on 31<sup>st</sup> July 2011 (3 marks)

b) Explain why Miss Portugeuse’ balance in the cash book above was different from the balance as shown in the bank statement (5 marks)

#### **QUESTION FOUR**

- a) Explain how accounting profession is regulated in Kenya citing 3 bodies charged with this regulation (9 marks)
- b) Explain the following:
- i) Historical cost convention (2 marks)
  - ii) Materiality concept (2 marks)
  - iii) Matching principle (2 marks)