

KABARAK



UNIVERSITY

UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FOR THE DEGREE OF BACHELOR OF COMMERCE

ACCT 110: FOUNDATION OF ACCOUNTING 1

DAY: MONDAY

DATE: 18/04/2016

TIME: 9:00 – 11:00 A.M.

STREAM: Y1S1

INSTRUCTIONS

1. Answer **QUESTION ONE** and any **OTHER TWO** questions
2. Be clear and neat and show the necessary working
3. Begin a new question on a new page

QUESTION ONE

The following records relate the books of Mr. Pilipili Usiola during the year 2014

January 3	Started a whole sale business by putting shs 900,000 into the bank account
February 4	Bought a car costing shs 350,000 paying by cheque
February 8	Withdrew shs 30,000 cash from the bank and placed in the cash box
February 12	Paid insurance by cheques sh 45,000
March 16	Bought furniture by cheque costing shs 120,000
March 3	Bought goods on credit from TBM Distributors costing shs 380,000
March 17	Sold goods for credit to Gome worth shs 185,000
March 25	Returned some of the goods valued at 47,000 to TBM Distributors

May 10	Gome pays by cash shs 60,000 in part settlement of his account
June 3	Paid the amount of Shs 280,000 to TBM Distributors by cheque
July 30	Bought another van paying by cash 150,000
Aug 4	Baba zero buys goods worth Shs 265,000 promising to pay later
Aug 15	Baba zero returned goods worth Shs 45,000 to the business
Sept 3	Rent of Shs 25,000 is paid by cash
Sept 10	Withdrew Shs 15,000 from the business for personal use
October 18	Paid Shs 8,000 by cash for motor expenses
October 20	Paid for electricity by cheque shs 6,000
November 4	Paid for telephone and postage shs 12,000 by cash
November 15	Baba zero pays shs 145,000 in cash in part settlement for his accounts

Required

- i. journal (10 marks)
- ii. Ledger (10 marks)
- iii. Trial balance (10 marks)

QUESTION TWO

The following trial balance has been extracted from the books of Kama a sole traders as at 31st December 2008

	Dr	cr
	Shs	shs
Sales		4,000,000
Purchases	3,500,000	
Sales returns	50,000	
Purchase returns		62,000
Opening stock (1/1/2008)	1,000,000	
Provision for bad debts		8,000
Wages and salaries	300,000	
Rates	60,000	
Telephone	10,000	
Shop fittings at cost	400,000	
Van at cost	300,000	
Debtors and creditors	98,000	70,000
Bad debts	2,000	

Capital		1,790,000
Bank	30,000	
Drawings	<u>180,000</u>	
	5,930,000	5,930,000

Additional information

- i. Closing stock as at 31st December 2008 Shs 1,200,000
- ii. Accrued wages Shs 50,000
- iii. Provision for bad debts to be increased to 10% of debtors
- iv. Telephone account outstanding Sh 2,200
- v. Depreciate shopping fittings at 10% per annum and van at 20 % per on cost

Required

Prepare a trading profit and loss account for the year ended 31st December 2008 and balance sheet as at that date for Mr Kamau (20 marks)

QUESTION THREE

- a. Explain the main purpose of bank reconciliation (8 marks)
- b. The balance in the cashbook of Mrs. Jane Kwambaya as at 3.1.2015 was Kshs 100,000(credit). On the same date the balance as per the bank statement was Kshs 300,000. On examining the bank statement and the cashbook the following differences were observed.
 - i. Cheques totaling kshs 120,000 had been paid into the bank on 31/1/2014 but were not credited by the bank
 - ii. Bank charges amounted to kshs 15,000
 - iii. Standing order to KPLC of Kshs 22,000 had been paid by the bank
 - iv. Dividend income of ksh 110,000 had been collected by the bank.
 - v. Cheques totaling ksh 447,000 had been paid supplier but not yet presented to the bank

Required

- i. Adjusted cashbook balance (6 marks)
- ii. Bank reconciliation statement (6 marks)

QUESTION FOUR

The following information has been obtained from the books of kimbelembele, a sole trader for the month of January 2011

Jan 1	Balance brought forward: cash Shs 23,000, bank 475,600
Jan 2	The following paid their accounts by cheque, in each case deducting 5% cash discounts: R Burton Shs 14,000, E Taylor Shs 22,000; R Harris 30,000(all amounts are pre-discounts)
Jan 4	Paid rent by Cheques shs 12,000
Jan 6	J Cotton us Shs 100,000 paying cheques
Jan 8	We paid the following accounts by cheque in each case deduction at 2 ½ cash discount : N Black SHS 36,000, P Towers SHS 48,000 C Rowse Shs 80,000(all amounts are pre-discount)
Jan 10	paid motor expenses in cash 4,400
Jan 12	H Hankins pays his accounts of Sh 7,700 by Cheques shs 7,400 deducting Shs 300 cash discount
Jan 15	Paid wages in cash Shs 16,000
Jan 18	The following paid their accounts by Cheques, in each case deducting 5% cash discount: C Winston Shs 26,000 R, Wilson and son Shs 34,000 h. winter Shs 46,000 (all amounting are pre-discount)
Jan 21	Cash withdrawn from the bank Shs 35,000 for business use
Jan 24	Cash drawings Shs 12,000
Jane 25	Paid t briers his account of Shs 14,000 by cash Shs 13,300 having deducted Shs 700 cash discount
Jan 29	Bought fixtures paying by cheques Shs 65,000
Jan 30	Received commission by cheques Shs 8,800

Required

- i. Identify and briefly explain and three types of cashbooks (5 marks)
- ii. Write up a three column cash book (15 marks)

QUESTION FIVE

- a. Explain the main differences between bank keeping and accounting
(9 marks)
- b. Explain the following accounting principles , concepts and conventions :
 - i. Going concern concept (4 marks)
 - ii. Matching principles (4 marks)
 - iii. Business entity concept (3 marks)