

**KABARAK**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2013/2014 ACADEMIC YEAR**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**ACCT 110: FUNDAMENTALS OF ACCOUNTING 1**

**DAY: TUESDAY**

**DATE: 12/8/2014**

**TIME: 11.30 – 13.30 P.M.**

**STREAM: Y1S1**

**ROOM: NBI**

**COPIES: 17**

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**INSTRUCTIONS**

1. Mr. Buluma has been trading for some years as a goat seller. The following list of balances has been extracted from his ledger as at 31/04/2014.

capital	838,870
sales	2,598,700
trade creditors	198,400
return outwards	134,070
provision for bad debt	5,120
discount allowed	23,060
discount received	17,500
Purchases	1,356,800
returns inwards	56,240
carriage on sales	45,620
Drawings	184,400
carriage on purchases	118,300

259,730

rent, rates and insurance	
heating and lighting	110,100
Postage	24,100
advertising	59,800
Salaries	385,210
bad debts	20,080
cash in hand	5,340
cash at bank	44,400
opening stock	156,540
trade debtors	245,000
fixtures & fittings	1,207,400
provision for depreciation on fixtures and fittings	630,200
Depreciation	120,740

**Additional information**

closing stock	177,500
prepaid insurance	11,200
heating and lighting is accrued	13,600
rates have been prepaid by	54,350

The provision for bad debts is to be adjusted so that it is 3% of trade debtors.

**Required:**

- a) Prepare Mr. Buluma's trading, profit and loss account for the year ended 30/04/2014. (12 marks)
  - b) Balance sheet as at 30/04/2014. (8 marks)
2. a) what do you understand by the term 'double entry system' of accounts? (3 marks)
- b) What are the advantages of a trial balance? (5 marks)
  - c) Explain any four accounting concepts. (12 marks)

3. a) list six possible causes for a difference between bank statement balance and cash book balance as per the cash book. (6 marks)

b) The bank statement of GIT Diplomat College showed a balance of Ksh. 264,300 while the bank column of the cash book showed a balance of Ksh 247,500 as at 31.01.2014. On checking the record the following information was obtained.

- i. Cheque drawn by the college amounting to Ksh 114,400 had not been presented to the bank.
- ii. Cheque amounting to Ksh 155,600 banked on 30.01.2014 were credited by the bank on 08.02.2014.
- iii. Bank charges amounting to Ksh 12,500 had not been posted in the cash book.
- iv. Standing orders of Ksh 25,000 had been paid by the bank.
- v. The credit side of the cash book had been undercast by Ksh 9,000.
- vi. Instructions to transfer Ksh 150,000 from the savings account to the current account had not been effected in the cash book.
- vii. A cheque of Ksh 18,500 banked on 28.01.2014 had been dishonoured but the information was received by the firm on 03.02.2014.
- viii. A cheque of Ksh. 74,000 drawn by the firm had been posted as Ksh 47,000 in the cash book.

**Required:**

- i. An updated cash book balance. (10 marks)
- ii. Bank reconciliation statement as at 31.01.2014. (4 marks)

4. a) Differentiate the following pairs of terms as used in accounts.

- i. Debtor and Creditor.
- ii. Credit transactions and Cash transactions.
- iii. Carriage inward and Carriage outwards.
- iv. Journalizing and Posting.
- v. Balance sheet and Trial balance. (10 marks)

b) Discuss at least five users of accounting information. (10 marks)

5. a) Discuss the accounting errors that affect trial balance. (10 marks)

b) Mr. Abdul opened a business in Nakuru town at the beginning of the year. During the first month of operation, the following transactions were completed:

- 1) 1<sup>st</sup> Jan 2014 He puts 20,000 in the bank account in the name of business.
- 2) 2<sup>nd</sup> Jan 2014 He bought supplies worth shs 6,000 for the shop.
- 3) 3<sup>rd</sup> Jan 2014 he paid shs 5,000 rent for the month of Jan. for a small store.

- 4) 5<sup>th</sup> Jan 2014 He furnished the store installing new fixtures which the supplier sold to him at shs 12,000. This amount was to be repaid in 3 equal payments at the end of Jan, Feb and March.
- 5) 10<sup>th</sup> Jan 2014 He paid shs 1,250 to an assistant for working during the business grand opening.
- 6) On 29<sup>th</sup> Jan 2014 Receipts from cash sales during the two weeks period ended January 29<sup>th</sup> amounted to shs 19,300.
- 7) On 31<sup>st</sup> Jan 2014 He paid the 1<sup>st</sup> instalment on fixtures.
- 8) 31<sup>st</sup> Jan 2014 He withdrew shs 11,000 cash for his personal expenses.

**Required:**

Prepared general journal entries to record the transactions.

(10 marks)