

**KABARAK**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2013/2014 ACADEMIC YEAR**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**ACCT 110: INTRODUCTION TO FINANCIAL ACCOUNTING I**

**DAY: MONDAY**

**DATE: 7/04/2014**

**TIME: 2.00 – 4.00 P.M.**

**STREAM: Y1S1**

**INSTRUCTIONS**

1. ANSWER QUESTIONS AS PER GIVEN INSTRUCTIONS.
2. MARKS FOR EACH QUESTION ARE INDICATED AT THE END OF EVERY QUESTION
3. ALL UNIVERSITY EXAMINATION RULES ARE APPLICABLE WITHOUT EXEMPTION

**QUESTION ONE**

Mukonyi a graduate of Kabarak university set up business in Ravine town. The following transactions took place in the course of the year.

He injected sh. 100 M as capital to start up the business and deposited the same into his bank account, acquired premises for sh. 2.5m, made cash purchases of sh. 4.7m, sold goods worth 2.7 m and received the payment through the bank after deduction of a discount of 2.5%. Mukonyi paid the following expenses; Salaries and wages 1.3m, electricity and water 250 thousand shillings, transport of purchases sh. 9000 transport of sales to customer's premises sh. 25000, cleaning services sh. 39000, postage and local errands sh. 4500, office expenses sh. 24,000, furniture and fittings sh. 400000, motor vehicles sh. 15000000, he also constructed a processing plant at sh. 5000000 all this payments were made through the bank. He made sales to the following people on credit promising to give them a cash discount of 5% if they paid within 30 days which they did through cash; mwende sh.300000, mukurinu shs. 250000 mukabi shs.150000, Mutonyi shs .80000 . He also made purchases from the following people on credit terms of 60 days at 2.5%; kibetshs.240,000, muratet shs. 120000, Kipkoech shs. 25000. Mukonyi honored the terms and earned the discounts by paying through cash. The closing stock was valued at sh. 2000000.

**Required:**

1. Write the books of Mukonyi and use a three column cash book. (10 marks)
2. extract a trial balance (5 marks)
3. prepare a trading profit and loss account for the business (10marks)
4. Prepare a balance sheet as at the end of the year of trading (5 marks)

**QUESTION TWO**

a) Wanjenzi Ltd acquired an asset which they intended to use over a three year period. The cost of the asset was 15 million shillings. The asset was to be depreciated at the rate of 25% per annum. The asset was used 4 years and disposed off at sh. 12.5m.

**Required:**

Show how the asset will be accounted for over the four year period (10 marks)

b) The accounts of Bill board merchandising ltd indicate that the biggest problem of the company is collecting debts. The managing director has requested the accountant to extract a summary of the debts over the last five years. The accountant has come up with the following summary

year	credit sales sh "000"	bad debts Sh "000"	total debtors sh. "000"
2009	145	20	230
2010	550	35	250
2011	670	25	170
2012	780	42	150
2013	890	51	300

Note 1. the total debtors is the closing balance for the year and the opening balance for 2009 was 300,000 Shillings.

2. The company provides a rate of 2.5% for bad and doubtful debts

**Required.**

show how the bad debts and provision for bad and doubtful debts will be accounted for in the books of Bill board merchandising ltd for the five year period. (10 marks)

### **QUESTION THREE**

The following is the trial balance of Kakai and Kilonzo trading company, trading as ka-kilo trading company Ltd, as at 31 December 2013.

	shs.'000'	sh. '000'
Land and landed properties	9825	
structures and related properties	5430	
furniture and fittings	1250	
bank	345	
cash	250	
purchases	5340	
debtors	300	
creditors	240	
office expenses	34	
salaries and wages	2530	
local traveling	600	
rent and rates	280	
computers and related machineries	4631	
discounts allowed	54	
discounts received		98
carriage inwards	450	
carriage outwards	230	
sales		10342
capital		27171
returned goods from sales	23	
returned goods from purchases		41
stock as at 1.1.2013	300	
repairs and renewals	5540	
	37652	37652

### **Notes**

1. rent and rates opening balance was sh 40,000 being rents paid in advance in the year 2012 and the closing balance was sh.40,000 and the monthly rates are sh. 20,000
2. Of the land and landed properties, 50% comprise of depreciable assets at the rate of 10% flat rate
3. 2% Of the debtors are believed to be uncollectable.
4. The closing stock of the business was determined to be shs.350,000 valued at the lower of cost or net realizable value
5. Of the repairs and renewals 50% was for extension and enhancement of the value of the assets. required

extract a trading profit and loss account for the period (10 marks)

2. Extract a balance sheet as at 31st December 2013 (10 marks)