

**KABARAK**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2012/2013 ACADEMIC YEAR**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**ACCT 110: FOUNDATIONS OF ACCOUNTING 1**

**DAY: WEDNESDAY**

**DATE: 14/08/2013**

**TIME: 2.00 – 5.00 P.M.**

**STREAM: Y1S1**

---

**INSTRUCTIONS:**

➤ **Answer all questions**

**QUESTION ONE**

- a) Describe the basic accounting equation (3 Marks)
- b) Explain what you understand by the following accounting terms:  
i. Accrued expense.  
ii. Prepaid expense. (4 marks)
- c) The following transactions relate to Mr. Joe a sole trader for the financial year ended on 31 December 2012.
1. Started business with own capital amounting to shs 80,000 at the bank.
  2. Bought a motor vehicle on credit from Cars Ltd at shs 20,000
  3. Paid motor expenses Sh 2,440 by cheque during the year; amount of motor expenses owing but not yet paid as at 31 December 2012 amounted to Sh280.
  4. Paid insurance in 2012 Sh 1,200; of this amount Sh300 was a prepaid amount relating to the year 2013.
  5. Paid Cars Ltd Shs 5,000 by cheque.
  6. Took Shs 6,000 from the bank and put it in the cash till.
  7. Paid rent in cash Shs 1,000.
  8. Bought goods for resale on credit amounting to Sh 12,000 from Wholesale Ltd.
  9. Paid Wholesale Ltd Sh 10,000 by cheque.

10. Sold goods in cash Sh 18,000.

Required:

- a) Journal entries to record the transactions
- b) T or Ledger accounts to record the transactions.

(18 marks)

## QUESTION TWO

- a) Explain 5 activities that may cause a difference between the bank cashbook balance and the bank statement balance (5 marks).
- b) Explain why it is necessary to prepare a bank reconciliation statement (5 marks).
- c) On 31st December 2012, the Bank cash book account showed a debit balance of shs. 77,920, while the bank statement on the same date showed a positive balance of shs. 70,260.

Additional information revealed the following:

	Sh
Bankings made but not yet entered on bank statement	12,120
Bank charges on bank statement but not yet in cashbook	560
Unpresented cheques to bank	2,340
Standing order to Yoda Ltd entered on bank statement, but not in cash book	1,100
Credit transfer from Kent entered on bank statement, but not yet in cashbook	3,780

Required:

- (i) Prepare the adjusted/updated cash book (7 marks)
- (ii) Prepare the bank reconciliation statement as at 31st December 2012 (8 marks)

## QUESTION THREE

- a) Using examples explain what you understand by the following accounting terms:
  - i. Accounting bases.
  - ii. Accounting policies.
  - iii. Accounting standards.(10 Marks)
- b) The accounting profession depends on certain accounting concepts to guide accounting practice. Explain any 5 basic accounting concepts/principles. (15 Marks)

#### QUESTION FOUR

The following Trial Balance relates to United Kenya Ltd for the year ended 30 September 2012.

	Dr Sh	Cr Sh
Opening Stock 1 October 2011	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	<u>332,890</u>	<u>332,890</u>

Note: Closing stock as at 30<sup>th</sup> September 2012 was Sh 29,460.

Required:

Prepare a trading and profit and loss account for the year ended 30 September 2012, and a balance sheet as at that date.

(25 Marks)