



**KABARAK**

**UNIVERSITY**

**UNIVERSITY EXAMINATIONS 2014/2015 ACADEMIC YEAR**

**FOR THE DEGREE OF BACHELOR OF EDUCATION (ARTS)**

**ACCT 110: FOUNDATIONS OF ACCOUNTING I**

**DAY:**

**DATE:**

**TIME:**

**STREAM:**

**Y<sub>2</sub>S<sub>2</sub>**

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**INSTRUCTIONS:**

- i.** The paper contains **FOUR** questions
- ii.** Answer **QUESTION ONE** and **ANY OTHER TWO** the questions
- iii.** Marks are allocated at the beginning of each question
- iv.** Be precise and neat.
- v.** Attachments: Tables of values

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**QUESTION ONE**

**(30 marks)**

- a)** Describe the meaning and significance of any four accounting concepts **(8marks)**
- b)** Define journal and describe the procedure for journalizing **(4marks)**
- c)** Bernice of Chennai started business on 1<sup>st</sup> January 2015 by investing cash of Shs 50,000. She brought goods of Sh 20,000 and furniture of Shs 2,500. She borrowed from her friends Rose Sh 25,000 the same day. Her transactions for the month are as follows:
- |         |     |   |
|---------|-----|---|
| January | 1:  | Purchased goods worth sh 25,000 less 20% trade discount and 5% cash discount, |
|         | 2:  | Opened a current account in national Bank of Kenya with shs 15,000.           |
|         | 3:  | Sold goods worth sh 15,000 to Victor and allowed 10% discount.                |
|         | 4:  | Received sh 13,250 from Victor in full settlement of his discount.            |
|         | 5:  | Sold goods to Ravi for cash shs 3,500.  |
|         | 6:  | Sold goods to Krishna sh 5,000.   |
|         | 10: | Received shs 4,925 from Krishna in full settlement.                           |
|         | 15: | Paid by cheque:   |
|         |     | Salaries           Shs 2,500  |
|         |     | Postage           Shs 50  |
|         |     | Stationery       shs 175  |
|         | 16: | Repair of furniture shs 100   |

- 18: Withdraw for personal use shs 3,500.  
 20: Goods given in donation shs 3,500  
 31: Sold goods to Ram at the invoice price of shs 10,000 on the terms of trade discount at 20% and cash discount at 10%. He paid half in cash.

**Required:**

Using the above information:

- (i) Journalize the transactions (8marks)  
 (ii) Post the transactions to the ledger accounts (10marks)

**QUESTION TWO** (20 marks)

- a) Explaining the meaning and the function of a Trial balance (5marks)
- b) From the following trial balance of J Hall, you are asked to draw up a trading and profit and loss account for the year ended 31 March 2002 and a balance sheet as at that date.

	Dr	Cr
	£	£
Sales		52000
Purchases	23000	
Stock as at 1 April 20X1	8550	
Premises	75000	
Equipment	18000	
Returns inwards	340	
Bank	1280	
Wages	5600	
Insurance	390	
Advertising	260	
Capital		94660
Drawings	11800	
Returns outwards		450
Debtors	6500	
Creditors		4960
Rent	1350	
	152070	152070

**Additional information:**

- Stock as at 31 March 20X2 was valued at £10660
- Depreciation is to be provided as follows: Premises 10%, Equipment 20% (both on cost).
- A provision for doubtful debts is to be created at 5% of debtors at the year-end.
- Accrued rent £211.
- Insurance paid in advance £120 (15marks)

**QUESTION THREE****(20 marks)**

- a) List and explain any three types of cash books of a business entity **(6marks)**
- b) A three-column cashbook is required from the following month from the following transactions. The cashbook should be balanced off at the end of the month and the totals should be transferred to the relevant discount accounts in the general ledger. **(14 marks)**

October 2014	
1	Balances brought forward: Cash £115, Bank £290 (Cr.)
3	Paid creditors by cheque; G Denton £440 L Lewis £120 (before discount) and received a 5% discount on invoice totals.
5	Cash sales £489
9	Paid £300 cash into bank account
13	Received cheques from suppliers for accounts totals as follows: R Moore £264, L Webster £360 and C Webb £120, in each case allowing a 2.5% discount.
19	Cash purchases £78
20	Paid rent by cheque £56
22	Received cheque of £90 from H Kasim in settlement of sales worth £95.
25	Cash withdrawn from bank for personal use £100
29	Paid D Doyle by cheque for £85 in settlement of £95 account balance.
30	Received commission by cheque £46

**QUESTION FOUR****(20 marks)**

- a) Discuss the problems created by the regulation of the accounting profession **(10marks)**
- b) J. Mburu's cash book showed a debit balance of Sh.117, 009.70 on 31 March 2008. His bank statement showed a credit balance of Sh.38, 257.30 on the same date. A careful examination of the two records revealed that the difference was due to the following:
1. Bank charges amounting to Sh.1,711.50
  2. The bank had paid Sh.5, 339.50 to Mburu's insurance company as per standing order.
  3. David Ndungu's who was Mburu's tenant had paid rent Sh.14, 500.00 direct into Mburu's bank account
  4. Cheques for Sh.43, 275.00 deposited by Mburu on 29 March were returned unpaid but no entry had been made in the cash book to record the return.
  5. Cheques totaling Sh.149, 088.40 deposited by Mburu on 30 March were credited by the bank on 2 April.
  6. Cheques totalling Sh.134, 402.00 issued by Mburu to his creditors did not appear on the bank statement. One of these cheques for Sh.6, 420.00 is dated 3<sup>rd</sup> September 2004.
  7. A cheque for Sh.8, 240.00 issued by Mbalu, another customer at the bank, was wrongly debited by the bank in Mburu's bank account.

8. The cashier, in totaling the cash book pages, overstated the debit balance of the cashbook by Sh.20, 000.00.

**Required:**

- (i) Adjustment of the cash book balance. (5marks)  
(ii) A bank reconciliation statement as at 31 March 2008 (5marks)
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