KABARAK UNIVERSITY

UNIVERSITY EXAMINATIONS

2012/2013 ACADEMIC YEAR

FOR THE DEGREE OF BACHELOR OF COMMERCE AND BACHELOR OF EDUCATION ARTS

ACCT 110: FOUNDATIONS OF ACCOUNTING 1

DAY: WEDNESDAY   **DATE: 14/08/2013**

TIME: 2.00 – 5.00 P.M.   **STREAM: Y1S1**

INSTRUCTIONS:

1. `Answer All Questions
2. Marks for Each Question Are Indicated At The End Of The Question
3. Show all your workings
4. All University Examination Rules Are Strictly To Be Observed

QUESTION ONE

Chirchir started business in January 2012 by depositing shs. 20,000,000 in the bank.

In the course of the year, the following transactions took place

 a. On January 3rd he acquired; premises at 2,000,000, refurbished the premises at a cost of shs. 234,000, bought a motor van from CMC holdings at shs. 1,800,000 paying by cheque and withdrew 1000,000 shs. from the bank.

 b. On 15 Jan he purchased goods on credit shs. 2,000,000 from C.K. Patel

 c. On 20th Jan he sold goods for cash at shs. 200,000

 d. On 22nd Jan he bought computers costing shs. 200,000 on credit from Innovations ltd

e. On 28th Jan he sold goods worth 400,000 to R. Ramji who paid 250,000 cash on delivery and the balance after 10 days.

f. On 2nd Feb he bought goods worth 1,500,000 from Patel ltd on credit

g. On 3rd Feb paid C.K. Patel cash of shs.1,000,000

h. On 4th Feb paid salaries of shs. 200,000 and this was payable every 4th day of the month following the month of service and the same applied to water and electricity sh.20,000

i. Office expenses shs. 30,000 transport postage and communications shs 15,000 and land rates shs. 5,000 paid on30th Dec.

Required

1. Write the books of Chir chir for the year 2012 and extract a trial balance from the accounts   (15 marks)

2. extract a trading profit and loss account for the year ended 31st Dec 2012

(10 marks)

QUESTION TWO

The following trial balance was extracted from the books of Wote ltd as on 31st December 2012.

	Shs "000"	shs "000"
Premises plant and buildings	213,000	
Fixtures and fittings	134,000	
Provision for depreciation	900	13,000
Machineries	35,000	
Provision for depreciation	350	7,000
Motor vehicles	34,000	
Provision for depreciation	200	6,000
Debtors	2,200	
Creditors		1,115
Sales		413,200
Salaries and wages	2,345	
Rent and land rates	230	
Office expenses	130	
Local transport	45	
Water and electricity	450	

Telephone, postages and communications	590	
Stock as at 1st January 2012	2,350	
Purchases	112,350	
Creditors		2,340
Loan		95,485
	538,140	538140

The following information is also available

1. The closing stock was determined to be shs 200,000 as on 31st December 2012

2. prepayment for water and electricity amounted to shs 2,000

3. the discounts allowed and received amounted to 3000 and 2000 respectively

4. 30% of the debtors is believed to be un-collectable

REQUIRED

1. Prepare a trading profit and loss account for the period ended 31st December 2012
(8 marks)

2. Prepare a statement of financial position as at 31st December 2013   (7 marks)

QUESTION THREE
Explain the following terms as used in accounting and explain how they are treated in double entry.
a)

1. year end adjustments   (4 marks)
2. Returns inwards   (1 mark)
3. returns outwards   (2 mark)
4. provisions   (3 marks)
5. assets   (2 marks)
6. liabilities   (2 marks)
7. drawings   (1 mark)   (Total 15 marks)

QUESTIONS FOUR

a) identify 6 errors that a trial balance can detect   **(6 marks)**

The trial balance of J Williams, a sole trader, prepared on 31st December 2008 had a shortage of shs. 8,000 on the debit side. A suspense account was opened for the difference.

The Trading and Profit and loss account prepared on 31st December 2008 showed a net profit of shs. 52,030. An examination into the ledger accounts of J Williams on 31st March 2009 revealed the following errors:

(i)   Sales overcast by Shs. 9,000

(ii)   Insurance undercast by shs. 4,000

(iii)   Cash received from a debtor entered in the cash book only as shs 5,000

(iv)   A purchase of shs. 5,900 is entered in the books, debit and credit entries as shs. 9,500

Required:

(i) Prepare journal entries to correct the above errors   **(3 marks)**

(ii) Show the entries in the suspense account   **(3 marks)**

(iii) Calculate the corrected net profit for the year ended 31st December 2008 for J Williams

(3 marks)

Total 15 Marks