

KABARAK



UNIVERSITY

UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FOR THE DEGREE OF BACHELOR OF COMMERCE

ACCT 110: FOUNDATIONS OF ACCOUNTING

DAY: WEDNESDAY

DATE: 10/12/2014

TIME: 11.00 – 1.00 P.M.

STREAM: Y1S1

INSTRUCTIONS:

- 1. Answer All Questions**
- 2. Show All Your Workings**
- 3. Be Neat: Untidy Work Will Be Penalized**

QUESTION ONE:

- Highlight 5 users of accounting information and their information of interest
(5 Marks)
- The trial balance of Penguin, a company as at 31 December 2013 was as follows:

	Dr \$	Cr \$
Sales and purchase	20,000	50,000
Inventory	8,000	
Distribution cost	8,000	
Administration expenses	15,550	
Receivable and payables	10,000	20,000
Fundamental reorganization costs	2,400	
Cash at bank	8,100	
Ordinary shares 50c		8,000
10% irredeemable preference shares \$1		9,000
10% loan notes		8,000
None-current assets at net book value	35,000	
Share premium		3,000
Accumulated profit at 1 January 2013		3,000
Loan notes interest	400	

Preference dividend	450	
Interim ordinary dividend	1,600	
Income tax		500
Suspense		<u>8,000</u>
	<u>109,500</u>	109,500

The following is to be taken into account.

1. A building whose net book value is currently \$5,000 is to be valued to \$11,000.
2. Closing inventory is \$12,000.

Prepare the following statements for the year ended 31st December 20*5:

- 1 Income statement (10 marks)
- 2 Balance sheet. (10 marks)

QUESTION TWO

- a) Explain any 5 causes of the difference between the cashbook balance and the bank statement balance (5 marks).
- b) On 31st December 2008, the Bank column of Joe & Sons' current account cash book showed a debit balance of shs. 22,500. The monthly bank statement written up to 31st December 2008 showed a credit balance of shs. 44,250.

On checking the cashbook with the bank statement, it was discovered that the following transactions had not been entered in the cashbook:

- Dividends of shs. 3,600 had been paid directly to the bank
- A credit transfer –customs and excise VAT refund of shs. 3,900 had been collected by the bank.
- Bank charges shs. 450
- A direct debit of shs. 1,050 for the Business Club subscription had been paid by the bank
- Joe & Sons' fixed deposit account balance of shs. 21,000 was transferred into his bank current account
- The bank had paid a standing charge of shs. 3,000 as loan on behalf of Joe & Sons

A further check revealed the following items:

- Two checks drawn in favour of B Graham shs. 3,750 and R Bonke shs. 4,350 had been entered in the cashbook but had not been presented for payment.
- Cash and cheques amounting to shs. 10,350 had been paid into the bank on 31st December 2008 but were not credited by the bank until 4 January 2009

Required:

- (i) Starting with the debit balance of shs. 22,500 bring the cashbook (bank columns) upto date and then balance the bank account (5 marks)

- (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