



UNIVERSITY OF EMBU

2021/2022 ACADEMIC YEAR

FIRST SEMESTER EXAMINATIONS

FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR
OF ECONOMICS AND STATISTICS

BAC 105: FUNDAMENTALS OF ACCOUNTING

DATE: DECEMBER 9, 2021

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

- a) State and explain five accounting errors that do not affect the trial balance (5 Marks)
- b) Discuss five users of accounting information (5 Marks)
- c) Explain four qualities of good accounting information (4 Marks)
- d) Explain four advantages to an organization of preparing control accounts (4 Marks)
- e) Define the following terms (5 Marks)
 - Debtor
 - Creditor
 - Goodwill
 - Source document
 - Capital
- f) Discuss three importance of accounting standards (3 Marks)
- g) Using the accounting equation, complete the gaps in the following table. (4 Marks)



	ASSETS	LIABILITIES	CAPITAL
	SHS	SHS	SHS
I	34,000	12,000	-
ii	120,000	-	96,000
iii	-	34,000	110,000
iv	108,000	-	48,000

QUESTION TWO (20 MARKS)

1. Explain four purposes of general journal (4 Marks)
2. The following transactions took place in Langata Ltd during the month of July 2021

1st July 2021 He started business with Kes. 100,000 cash in hand and Kes 150,000 cash in the bank

2nd July 2021 Bought furniture worth Kes. 20,000 and paid by cheque.

3rd July 2021 Bought stock worth Kes. 70,000 on credit from Beatrice

5th July 2021 Deposited part of the cash in hand Kes. 30,000 into the business bank account

6th July 2021 Bought stock worth Kes 15,000 and paid by cheque

10th July 2021 Made a partial payment to Beatrice Kes 20,000 using a cheque.

15th July 2021 The owner converted a personal premise worth Kes 120,000 into a business premises

20th July 2021 Received a cheque of Kes. 50,000 from Wamalwa as a loan

23rd July 2021 Withdrew Kes. 20,000 cash from the business for own use

30th July 2021 Bought more stock from Beatrice worth Kes 40,000 on credit basis

31st July 2021 Bought equipment worth Kes 20,000 and paid by cheque

Required

- a) Open the relevant ledger accounts and post the above transactions (10 Marks)
- b) Prepare Kamotho's trial balance as at 31st July 2021. (6 Marks)

QUESTION THREE (20 MARKS)

1. Explain five reasons why businesses maintain accounting records (10 Marks)
2. Using the following information, construct both a sales and purchase ledger control accounts for the month ending 30th June 2020. (10 Marks)

Details	Kes
Debtors at 1 June	231,600.00
Creditors at 1 June	182,800.00
Credit sales	170,000.00
Returns from debtors	3,200.00
Returns to suppliers	2,600.00
Payment received from debtors	146,400.00
Bad debts written off	1,800.00
Payment to creditors	79,000.00
Credit purchases for month	91,000.00
Discounts allowed	1,600.00
Discounts received	1,520.00

QUESTION FOUR (20 MARKS)

1. Discuss four concepts of accounting that help in preparation of financial statements (8 Marks)
2. Show the journal entries required to correct the following errors. Entries; narratives must be shown. (12 Marks)
 - a. Commissions received Kes 44,000 had been credited to rent receivable account
 - b. Bank charges Kes 3,850 had been debited to rent account
 - c. Completely omitted from the books of account is a payment of salary expenses by cheque Kes 11,500.
 - d. Purchase of fixtures worth Kes 23,700 had been entered in purchases account
 - e. Return inwards of Kes 41,650 had been entered on the debit side of the return outwards account
 - f. A loan from Equity bank of Kes 250,000 had been entered on the credit side of capital account

QUESTION FIVE (20 MARKS)

The following trial balance was extracted from the books of Uchumi supermarket Ltd at 31st December 2020.

	DR Kes	CR Kes
Capital	-	240,000.00
Opening stock	262,500.00	-
Drawings	49,575.00	-
Returns inward	8,250.00	-
Return outward	-	12,600.00
Carriage inward	18,600.00	-
Carriage outward	10,875.00	-
Rent	9,750.00	-
Purchases	195,000.00	-
Debtors	75,000.00	-
Creditors	-	60,000.00
Furniture	22,500.00	-
Sales	-	435,000.00
Stationery	12,750.00	-
Cash	41,550.00	-
Goodwill	27,000.00	-
Salary	14,250.00	-
	747,600.00	747,600.00

Additional Information

Closing stock as at 31st December 2020 was valued at Kes 281,850

Required:

- Statement of financial performance for the year ended 31st December 2020. (10 Marks)
- Statement of financial position as at 31st December 2020. (10 Marks)

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