



Kasarani Campus
 Off Thika Road
 Tel. 2042692 / 3
 P. O. Box 49274, 00100
 NAIROBI
 Westlands Campus
 Pamstech House
 Woodvale Grove
 Tel. 4442212
 Fax: 4444175

**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
 UNIVERSITY EXAMINATION, 2016/2017 ACADEMIC YEAR
 SECOND YEAR, FIRST SEMESTER EXAMINATION
 FOR THE DEGREE OF BACHELOR OF SCIENCE
 (BUSINESS ADMINISTRATION)**

Date: 8th August, 2016.
 Time: 5.30pm – 7.30pm

KAC 100 - PRINCIPLES OF ACCOUNTING I

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) The following trial balance was extracted from the books of Bidii Wholesalers as at 31st December 2015

	Sh.	Sh.
Capital		1878950
Drawings	270000	
Trade receivables / payables	405000	135000
Purchases / sales	942480	1919160
Return inwards / outwards	32490	49230
Wages and salaries	423000	
Discounts allowed/ Received	22320	38340
Freehold premises (Cost)	687150	
Office equipment (cost)	136800	
Motor Vehicle (cost)	344000	
Provision for depreciation 1 st January 2014		
Office equipment		26100
Motor vehicle		72000
Miscellaneous expenses	32040	
Bank balance	232470	
Cash in hand	10800	
Electricity	42480	
Rent and rates	22320	
Insurance	5400	
Allowances for doubtful debts (1/1/15)	6480	
Motor vehicle expenses	34740	
Inventory (1/1/15)	570060	
15% bank loan		90000
Loan interest paid	6750	
	4226780	4226780

Additional information;

- i) Inventory as at 31st December 2015 was valued at Ksh. 558900
- ii) Goods taken during the year by the proprietor for personal uses were valued at sh. 3600
- iii) Rates and insurance paid in advance as at 31st December 2015 amounted to Ksh. 5760 and 1080 respectively.
- iv) Depreciation is to be provided at cost as follows;

Asset	Rate per annum
Office equipment	10%
Motor vehicle	20%

- v) Allowance for doubtful debts is to be increased by Ksh. 4500
- vi) Purchase of goods valued at Ksh. 9000 in December 2015 were omitted from the books.

Required;

- i) Statement of Financial performance for the year ended 31st December 2015. (12 Marks)
- ii) Statement of financial position as at 31st December 2015. (8 Marks)
- b) Discuss five users of accounting information clearly indicating their information needs. (5 Marks)
- c) Explain the following accounting assumptions;
 - i) Accrual
 - ii) Going concern(5 Marks)

QUESTION TWO (20 MARKS)

- a) Briefly describe the following books of prime entry;
 - i) Sales day book
 - ii) Returns day book
 - iii) Purchases day book
 - iv) Purchases returns day book
 - v) Cash book(10 Marks)
- b) Prepare a sales ledger control account from the following;

2015	
May 1 Debit balance	64200
Total for may:	
Sales journal	128000
Cash and cheques received from debtors	103700
Discounts allowed	3950
Debit balances in the sales ledger set off against credit balances in the purchases ledger	1450
May 31 Debit balances	?
Credit balances	500

QUESTION THREE (20 MARKS)

- a) Distinguish between the following types of errors;
- i) Error of commission and error of principle. (4 Marks)
 - ii) Compensating error and error of complete reversal of entries. (4 Marks)
- b) From the following transactions prepare a petty cash book. Mutua operates his petty cashbook under imprest system. He maintains a float of 50000. As at 1st January 2015 petty cash balance amounted to Ksh. 25500, 2nd January received cash to restore imprest to Ksh. 50000.

3rd January paid wages 5000
4th cleaning expenses 2000
5th Bought stationery 3000
6th Postage stamps 1000
7th Cleaning 2000
8th wages 4000
9th Newspapers 3000
10th staff refreshments 2000
11th wages 2000
12th postage stamps 1000
13th stationery 2500
14th cleaning 3500
15th staff dinner 3000
16th wages 4000
17th stationery 2000
18th cleaning 3000
25th received cash to restore the imprest to 50000.

Required prepare a petty cash book with analytical column of wages, cleaning, postage, stationery & miscellaneous expenses.

(12 Marks)

QUESTION FOUR (20 MARKS)

- a) Define the term control account and explain five advantages of using control accounts. (10 Marks)
- b) The following information relates to the debtors of kamaki's butchery.

Year	Debtors	Bad debts	Provision for bad debts & doubtful debts
2003	7500000	20000	2%
2014	1700000	10000	2%
2015	1800000	10000	2%

Required;

- i) Debtors account
- ii) Bad debts account
- iii) Provision for bad and doubtful debts

(10 Marks)

QUESTION FIVE (20 MARKS)

a) Explain the following terms;

- i) Fixed assets (non-current assets)
- ii) Current assets
- iii) Long-term liabilities (non-current liabilities)
- iv) Depreciation

(8 Marks)

b) The balances and transactions affecting the control accounts of Lemi ltd for the month of November 2015 are listed below;

Balances on 1st November 2015
Sales Ledger 9123000(debit)
 211000(credit)
Purchases ledger 449000(credit)
 88000(debit)
Transactions during November 2015
Purchases on credit 18135000
Allowances from suppliers 629000
Receipts from customers by cheques 27370000
Sale on credit 36755000
Discount received 1105000
Payment to creditors by cheque 15413000
Contra settlements 3046000
Bills of exchange receivable 6506000
Allowances to customers 1720000
Customers cheques dishonoured 489000
Cash received from credit customers 4201000
Refunds to customers for overpayments 53000
Discounts allowed 732000
Balances on 30th November 2015
Sales ledger 136000(credit)
Purchases ledger 67000(debit)

Required;

Prepare sales ledger and purchases ledger control accounts for the month of November 2015 and show respective debit and credit balances on 30th November 2015

(12 Marks)