



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, 2020/2021 ACADEMIC YEAR
CERTIFICATE IN BUSINESS MANAGEMENT
CPS 021 - FUNDAMENTALS OF ACCOUNTING

Date: 10th December, 2020.
Time: 2.30pm – 4.30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Two accounting concepts or conventions could clash, or there could be an inconsistency between them. Give two examples of such situations and explain how the inconsistency should be resolved. (5 Marks).
- b) The following information was extracted from the books of ABC Ltd for the month of March 2017.

March 2017

- 1: Credit purchases from K Hill 3800; M Norman 500; N Senior 106.
3: Credit sales to E Rigby 510; E Phillips 246; F Thompson 356.
5: Credit purchases from R Morton 200; J Cook 180; D Edwards 410; C Davies 66.
8: Credit sales to A Green 307; H George 250; J Ferguson 185.
12: Returns outwards to M Norman 30; N Senior 16.
14: Returns inwards from E Phillips 18; F Thompson 22.
20: Credit sales to E Phillips 188; F Powell 310; E Lee 420.
24: Credit purchases from Ferguson 550; K Ennevor 900.
31: Returns inwards from E Phillips 27; E Rigby 30.
31: Returns outwards to J Cook 13; C Davies 11.

Required;

- a) Prepare the following journals
- i) Purchases journal (5Marks)
 - ii) Sales journal (5Marks)
 - iii) Returns inwards and returns outward journal (5Marks)
- b) Post entries into the following relevant ledgers (10Marks)

QUESTION TWO (20 MARKS)

On 1st Jan 2019, the balance of cash in the bank account of Mr. Kamau amounted to 5,000. While the business cash at hand was 2,000. During the month of January 2019, the following transactions were entered into:

1. Paid salaries and wages by cheque 1,000 on 2/1/19
2. On 3/1/19 received payment by cheque from credit customer as follows:
 - a) Ouma 500
 - b) Njoroge 1,000
 - c) Musa 3,000
3. Paid telephone on 4/1/19 by cheque 200
4. On 8/1/19 made cash sales 12,000
5. On 9/1/19 deposit 10,000 to the bank account from cash sales.
6. On 12/1/19 drew 2,000 cash for personal use
7. On 16/1/19 made payment to suppliers by cheque as follows:
 - a) Jonaha 2,000
 - b) Paulo 2,000
8. Paid rent by cheque on 20/1/19 500
9. Drew sh 1,000 from bank for office use on 22/1/19
10. Purchased goods worth 3,000 by cheque on 28/1/19
11. Paid Electricity by chequesh 3,000 on 28/1/19

Required:

- a) Write up a two column cashbook and balance off. (10Marks)
- b) Show the different ledger accounts at the end of the month. (5 Marks)
- c) Balance the accounts and extract a trial balance. (5Marks)

QUESTION THREE (20 MARKS)

In preparing the accounts of your company, you are faced with a number of problems. These are:

- i) The long-term future success of the company is extremely uncertain.
- ii) At the year-end, an amount is outstanding for water that has been consumed during the accounting period.
- iii) During the year, the company purchased sh 100 worth biro pens; these had all been issued from inventory and were still in use at the end of the year.
- iv) A debtor who owes a large amount to the company is rumored to be going into liquidation.
- v) The company has had a poor trading year, and the directors believe that a more balanced result could be presented if a LIFO Stock valuation method was adopted, instead of the present FIFO.

Required:

State which accounting concepts the accountant should follow in dealing with each of the above problems, and explain briefly what each concept means. (20 Marks)

QUESTION FOUR (20 MARKS)

The following information was extracted from the books of Kimani a sole trader for the year 2019.

	DR	CR
Stock 1 Jan 2019	23,910	
Carriage outwards	309	
Carriage inwards	215	
Returns inwards	550	
Returns outwards		307
Purchases	92,100	
Sales		130,900
Salaries and wages	12,810	
Rent and rates	2,970	
Motor vehicles	4,100	
Office Equipment	6,250	
Debtors	12,300	
Creditors		9,370
Cash in hand	295	
Cash at bank	3,115	
Motor Expenses	1,630	
Insurance	492	
Office Expenses	1,377	
Sundry Expenses	284	
Telephone Charges	405	
Drawings	11,000	
Capital		22,535
	163,112	163,112

The closing stock as at 31st December 2019 was 27,475

Required;

- i) Income statement for the year ended 31st Dec 2010 (10Marks)
 ii) Statement of financial position as at 31st Dec 2010 (10Marks)

QUESTION FIVE (20 MARKS)

a) The following are transactions of Kibet for the month of September.

- 2: Paid rent of 1,500 for the first month.
 3: purchased equipment for 1,100 for cash
 5: Paid advertising expense of 2,500
 20: Paid insurance expense of 1920
 27: Received telephone bill of 1,300 from Telkom
 30: Paid electricity bill expense of 1,260

Required:

Post the transactions in the General Journal.

(10 Marks)

- b) The following details for the year ended 31 March 2013 are available. Draw up the trading account of R Sings for that year. (10 Marks)

Stock: 1 January 2013	16,523
Returns inwards	1,372
Returns outwards	2,896
Purchases	53,397
Carriage inwards	1,122
Sales	94,600
Stocks: 31 December 2013	14,323