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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**FIRST YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 13<sup>th</sup> December, 2023  
Time: 2.30pm –4.30pm

**KAC 100 - PRINCIPLES OF ACCOUNTING 1**

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) Catherine prepared a trial balance which did not balance. The credit side was less by Sh 120,000 and was covered by a suspense account. On further investigation he discovered that;
- Furniture bought for Sh 300,000 was entered in the purchases account.
  - Sales were undercast by Sh 180,000
  - Goods returned by a customer worth Sh 30,000 had not been posted to the account of the debtor.
  - Cash drawings of Sh 50,000 were omitted from the books
  - Goods bought on credit for Sh 120,000 were entered in the account of a creditor as Sh 210,000.

**Required;**

- i) Prepare journal entries to correct the errors (6 marks)  
ii) Prepare Suspense account to clear the difference (6 marks)
- b) The following transactions were recorded in the books of Mr. Kariuki a business man at Gekomba market in month of July 2023
- July 2023:**
- 1- Balance brought down: Cash 2500  
Bank 7400
  - 2- Bought goods by cheque shs 2000.
  - 3- Cash sales shs 1800.
  - 5---Deposited kshs 2000 into the bank account
  - 6- Paid by cheque in each case cash discount received of 3% ; A. Johnshs 1,500, H. Herman shs 3000 and D. Jackson shs 1,400.
  - 7- Received by cheque; in each case discount allowed 5%; B, Shaw shs 4000, B. Benard shs 3000 and J. Mathews shs 3200.
  - 10—Bought office furniture by cheque shs 3000.
  - 15—Cash drawings shs 500.
  - 20- Paid A.Topman shs 800 cash less 3%.
  - 22—Received cash from A. smith shs 1,500 less 4%.
  - 30---Paid wages in cash shs 1000.

Required:

Prepare a cash book, balance it off and bring balance brought forward. (12 marks)

c) Differentiate between;

i) Debit note and credit note (2 marks)

ii) Revenue expenditure and capital expenditure (2 marks)

iii) Carriage inwards and carriage outwards (2 marks)

### **QUESTION TWO (20 MARKS)**

The following trial balance was extracted from the books of Nyota Ltd as on December 31, 2019.

	DR	CR
	Shs	Shs
Capital		250,000
Stock (1.1.2019)	25,000	
Plant and machinery (cost)	250,000	
Motor vehicles	80,000	
Provision for depreciation of plant and machinery		20,000
Provision for depreciation of motor vehicles		16,000
Purchases	360,000	
Sales		600,000
Return inwards/sales returns	40,000	
Return outwards/ purchases returns		20,000
Wages and salaries	60,000	
Discounts	5,000	4,000
Carriage inwards	2,500	
Carriage outwards	3,000	
Postage and telephone	7,500	
Water and electricity	8,600	
Bad debts written off	1,500	
Provision for bad debts		1,000
General expenses	8,500	
Rent and rates	15,000	
Debtors	55,000	
Creditors		46,600
Cash in hand	6,000	
Cash at bank	30,000	
<b>TOTALS</b>	<b>957,600</b>	<b>957,600</b>

#### **Additional information**

1) Closing stock on 31<sup>st</sup> December 2019 was valued at 22,500.

2) Depreciation is to be charged at 10% of cost of plant and machinery and 20% of cost of motor vehicles

3) Accrued rent is 3,000 and prepaid rates are 1,000.

4) Outstanding electricity expenses is 600.

5) Provision for bad debts is to be increased by 300.

Required:

Prepare an income statement for the year ended 31<sup>st</sup> December 2019. (10 marks)

Prepare a statement of financial position as at that date. (10marks)

### **QUESTION THREE (20 MARKS)**

- a) A cashier in the firm starts with shs 2000 in the month of March 2019 (float cash). In the following week the following payments are made.

**March 2019:**

1- Bought stamps for	shs 80.
2- Paid bus fare	shs 120
3- Cleaning materials	shs240
4- Bought fuel	shs150
5- Cleaning wages	shs 300
6- Bought stamps	shs 200
7- Paid L. Thomson (creditor)	shs400
8- Fuel costs	shs150

On 8<sup>th</sup> of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

**Required:**

Prepare a petty cash book showing the balances to be carried forward. (8marks)

- b) Mr. Kamau has the following assets and liabilities as at 31/4/2020.

Creditors	15800
Equipment	46000
Motor vehicle	25160
Stock	24600
Debtors	23080
Cash at bank	29120
Cash in hand	160

During the first week of May 2020, Mr. Kamau

- i) Bought extra equipment on credit for shs 5520
- ii) Bought extra stock by cheque 2280.
- iii) Paid creditors by cheque shs 3160.
- iv) Debtors paid 3360 by cheque and shs 240 by cash.
- v) Awuor put extra shs 1000 cash as capital.

**Required:**

- i) Determine the capital as at 31<sup>st</sup> April 2020 ( 2 marks)
- ii) Calculate the balances of each assets , liabilities and capital as at the end of first week of May (10marks)

#### **QUESTION FOUR (20 MARKS)**

- a) Highlight the qualities of a good accounting information (4 Marks)
- b) Write up the following transactions in the books of S Kamau

2013

March 1	Started business with cash Sh.100,000
" 2	Bought goods on credit from D. Makori Sh.29,600.
" 3	Paid rent by cash Sh.2,800.
" 4	Paid Sh.100,000 of the cash of the firm into a bank account.
" 5	Sold goods on credit to J.Barasa Sh.5,400.
" 7	Bought stationery Sh.1,500 paying by cheque.
" 11	Cash sales Sh.4,900.
" 14	Goods returned by us to D. Makori Sh.1,700.
" 17	Sold goods on credit to K. Njeru Sh.2,900.
" 20	Paid for repairs to the building by cash Sh.1,800.
" 22	J Barasa returned goods to us Sh.1,400
" 27	Paid D. Makori by cheque Sh.27,900.
" 28	Cash purchases Sh.12,500.
" 29	Bought a motor vehicle paying by cheque Sh.39,500.
" 30	Paid motor expenses in cash Sh.1,500
" 31	Bought fixtures Sh.12,000 on credit from Ruai Ltd.
" 31	Cash sales shs 8000.

Required

- i) Prepare the ledger accounts and balance them off (10 marks)
- ii) Prepare a trial balance (6 marks)

#### **QUESTION FIVE( 20 MARKS)**

- a) Identify and explain three main differences between cash book and bank statement (6 marks)
- b) During the year ended 2022 the bank statement of Aby Enterprises showed a balance of Sh 862.200 while the cash book showed a debit balance of Sh 895,000. On further investigation the following was discovered.
- The bank statement had bank charges worth Sh. 5,000, Interest charges of Sh.14,500 and direct debits of Sh. 35,000 which not posted into the cash book
  - Cheques given to suppliers worth Sh 42,500 which had not been presented to the bank.
  - Cheques received from customers worth Sh 21,700 which had not been banked.
  - A cheque received from the customer of Sh 9,800 had been posted in the cash book as Sh 8,900. The correct amount appears in the bank statement.

Required

- i) Updated cash book (4 marks)
- ii) Bank reconciliation statement (4 marks)
- c) Highlight the errors that may not make the Trial balance not to balance (6 marks)