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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2016/2017 ACADEMIC YEAR
DIPLOMA IN BUSINESS ADMINISTRATION

DBA 022 - PRINCIPLES OF ACCOUNTING

Date: 13th August, 2016.
Time: 9.00am – 11.00am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Holden Graham started a consulting business and invested Ksh 40, 000 cash in the business. He had the following transactions thereafter;
- a) May 1, rented a furnished office and paid 2, 200 cash.
 - b) May 3, purchased 1890 of office equipment on credit
 - c) May 5, paid 750 for cleaning service
 - d) May 8, provided consulting services for 2500 for a client on credit
 - e) May 12, provided consulting services for 5400 and collected cash
 - f) May 15, paid 750cash for office assistant salary for half a month
 - g) May 22, provided 3200 of consulting services on credit
 - h) May 23, paid 300 for this month telephone bill
 - i) May 31, withdrew 1400 cash for personal use

Required;

Record these transactions in the ledger accounts and balance them off.

(10 Marks)

- b) Explain a trial balance and the double entry.

(4 Marks)

- c) The following transactions took place in the books of ATT ltd.

- a) March 1, bought goods for 7000 on credit from AK
- b) March 2, bought goods for 550 on credit from ZP
- c) March 3, ATT returned goods worth 2000 to AK
- d) March 5, sold goods worth 500 to Karine on credit
- e) March 9, sold goods worth 10000 to African retailers on credit
- f) March 10, Karine returned goods worth 200

Required;

Record these transactions in the book of original entry.

(5 Marks)

d) Explain the book keeping equation/accounting equation and any five accounting principles.

(11 Marks)

QUESTION TWO (20 MARKS)

A,B,C,D are trading in a partnership sharing profit and losses equally. They provide you with the following trial balance as at 31st December, 2012.

		ABCD Partnership	
		Trial Balance	
		Dr	Cr
Stock		500	
Sales			150000
Purchases		50000	
Carriage inwards		1500	
Carriage outwards		1950	
Debtors & creditors		5000	6000
Electricity		1500	
Rent		1900	
Water		1200	
Salaries		15000	
Premises		50000	
Furniture		70500	
Land		100000	
Bank		4500	
Cash		20000	
Capital	A		41,887.50
	B		41,887.50
	C		41,887.50
	D		41,887.50
		<u>323,550</u>	<u>323,550</u>

Additional information;

- Interest on capital 2% and on drawings is 3%
- ABCD withdrew 10000, 12000, 13000 and 7000 respectively
- C earns a monthly salary of 500
- Depreciate assets (fixed) at 10% p.a
- Closing stock was valued at 11000

Required;

a) Trading Profit and Loss appropriation a/c and balance sheet as at 31st Dec 2012.

(15 Marks)

b) Partner's current account.

(5 Marks)

QUESTION THREE (20 MARKS)

Wekesa has been trading as a proprietor of hardware. Hist extract of trial balance was as follows;

Wekesa Trial Balance		
As at 31 st Dec 2002		
	Dr	Cr
Stock	22000	
Purchases/sales	120000	370000
Debtors/creditors	15120	17140
Capital		500000
Premises	200000	
Motor van	250000	
Electricity	5000	
Water	2000	
Salaries	10000	
Carriage inwards	1500	
Carriage outwards	1700	
Discount allowed/received	2000	2500
Furniture	<u>260320</u>	
	<u>889640</u>	<u>889640</u>

Additional information;

- a) Prepaid water was for Ksh 200 while electricity due was 500
- b) Depreciate fixed assets at 10% p.a
- c) Provide provision for bad debts as at 10 % of total debtors
- d) Closing stock was values 2300
- e) Wekesa expected 500 dividend income from AYZ ltd at the end of the year

Required;

Prepare income statement and a statement of financial position as at 31st December, 2002.

QUESTION FOUR (20 MARKS)

You have been provided with the following information for a certain company.

XYZ LTD
Trial Balance
As at 31st Dec 2013

	Dr	Cr
Directors fee	10000	
Auditors fee	15000	
Stock	90000	
Cash	10000	
Bank	50000	
Ordinary capital		200000
Preference capital		150000
10% Debenture		100000
Premises	150000	
Furniture	200000	
Motor Van	150000	
Rent	120000	
Electricity	15000	
General reserves		22000
Share premium		20000
Profit and loss a/c		15000
Gross profit		200000
Interest income		180000
Land	185000	
	<u>887,000</u>	<u>887,000</u>

Additional information;

- a) Transfer 2000 to general reserve
- b) Pay dividends of 10% ordinary and 10% preference capital
- c) Debenture interest is due
- d) Depreciate fixed assets at 10% p.a
- e) Tax is at a rate of 30%

Required;

Prepare statement of comprehensive income and that of financial position.

QUESTION FIVE (20 MARKS)

- a) Describe the accounting cycle. (10 Marks)
- b) Explain the fundamental of accounting assumptions (10 Marks)