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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2014/2015 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 25th April, 2014
Time: 2.00pm – 4.0pm

KAC 100 – PRINCIPLES OF ACCOUNTING 1

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

a) The following information was extracted from the books of Musau as at 30th Sept 2010

Cash at hand	1,200
Cash in bank	11,000
Stock 1.9.2010	21,000
Debtors	8,000
Creditors	10,000
Return inward	300
Sales	56,000
Purchases	20,500
Capital	14900
Salaries	4,000
Water and electricity	600
Postage	200
Drawings	900
Stock 30.9.2010	13,500
Furniture and fittings	7,500
Motor Van	35,000
Loan from Biashara bank	30,000
Items received	1,200
Office Rent	1,700

Required

- i) Prepare the trial balance as at 30th Sept 2010 (7 Marks)
- ii) Prepare his trading and profit and loss account for the month (5 Marks)
- iii) Prepare Balance sheet as at 30th November 2010 (5 Marks)
- b) Name books of prime entry, their purpose and what they are used to post (10 Marks)
- c) Explain the internal users of accounting information. (3 Marks)

QUESTION TWO (20 MARKS)

- a) The following Trail balance was extracted from the books of Onyango a fish trader,

Capital at 1 st April		2,050
Cash a/c	1,050	
Loan a/c		500
Van	1,100	
Sales		2,100
Purchases	1,790	
Drawings	110	
Rent a/c	160	
Van expenses a/c	75	
Electricity	45	
Stock at 1 st April	<u>320</u>	<u>4</u>
	4,650	4,650

Required:

Prepare the Trading, profit and loss a/c and balance sheet.

(15 Marks)

- b) An asset is purchased on January 2011 for Shs 10,000. Its estimate that at the end of four years it will have a residual value of Shs 1000.

Required

Use straight line method of depreciation to prepare a schedule for years 2011 to 2014

(5 Marks)

QUESTION THREE (20 MARKS)

- a) The following trial balance was extracted from the books of **Malipo Bora**, as at 31st December 2011.

Trial balance as at 31st December 2011

	Debit (Shs).	Credit (Shs)
Capital		40,000
Purchases/sales	43,000	75,000
Freehold land and building	15,000	
Plant and machinery	9,000	
Motor vehicles	6,000	
Wages and salaries	8,900	
Rent and rates	4,300	
Motor vehicle expenses	1,250	
Repairs to buildings	7,500	
General expenses	3,550	
Discount allowed	1,250	
Discount received	1,072	
Debtors/creditors	13,500	8,500
Drawings	3,000	
Prov.for depreciation		
(1)Plant & machinery		4,500
(2)Motor vehicle		2,928
Opening stock	7,500	
Balance at bank	<u>8,250</u>	
	<u>132,000.</u>	<u>132,000</u>

Additional information:

(i) Stock at 31st December 2011 kshs.8500

(ii) Provide depreciation on:

Plant by 10%

Motor vehicles by 20% on written down value

(ii) The expenditure on repairs to building is to be capitalized kshs.5, 000

Required:

- a) i) Prepare a trading, profit and loss account for the year ended 31st December 2011 (5 Marks)
- ii) A balance sheet as at the same period. (6 Marks)
- b) Describe the books of double entry. (6 Marks)
- c) Describe three system of accounting. (3 Marks)

QUESTION FOUR (20 MARKS)

a) **Down Tao Ltd** presents you with the following balances for December 2009.

	Kshs.
1st December. Sales ledger Dr.	202,100
Cr.	2,800
Purchase ledger Dr.	330
Cr.	115,900
31st December 2009.Transaction	
Credit sales	534,000
Cash sales	213,600
Credit purchases	282,700
Payment to creditors	449,500
Bad debts written off	1,900
Provision for bad debts	9,700
Purchase returns	4,500
Sales returns	5,800
Discount received	5,900
Discount allowed	9,500
Balance in Debtor`s ledger/creditors	3,400
Customer`s cheques dishonored	500
31 st December 2009 Sales Ledger Dr.	???
Cr.	2,100
Purchases, Ledger Dr.	420
Cr.	??

Note: Not all this data is needed!

Required:

- (i) Draw up the creditors and show all the closing balances. (5 Marks)
- (ii) Debtors control for December 2009 and show all the closing balances. (5 Marks)
- b) Explain the main purpose of accounting. (5Marks)
- c) Define Capital expenditure. (5 Marks)
- d) Explain five accounting assumptions recognized by IAS (international Accounting Standards) (5 Marks)

QUESTION FIVE (20 MARKS)

a)

**Eagle Advertising Ltd.
Trial Balance as at 31st December 2010**

<u>Accounts</u>	<u>Debit.</u>	<u>Credit</u>
Cash	1,720	
Account receivable	2,800	
Art supplies	1,800	
Office supplies	800	
Prepaid rent	800	
Prepaid insurance	480	
Art equipment	4,200	
Depreciation-office	3,000	
Accounts payable		3,170
Unearned art fees		1,000
Capital		10,000
Drawings	400	
Advertisement earnings		4,200
Wage expenses	1,200	
Utilities expenses	100	
Telephone expenses	<u>70</u>	
	<u>18,370.</u>	<u>18,370</u>

Additional information:

- (a)The agency had pre-paid rent expenses by shs.400
- (b)Insurance expense include shs.40 prepaid
- (c)Artwork supplies expenses include shs.500 of stock
- (d)Depreciation for Art equipment is shs.70
- (e)Depreciation of office equipment is shs.50
- (f)Wage expenses include accrued shs.180
- (e)Art fees earned shs.400 was not recognized
- (f)Fees recoverable is shs.200 not taken into account

Required:

- (i) Prepare an adjusted Trial balance and (5 Marks)
 - (ii) An income statement and balance sheet as at 31st December 2010 (5 Marks)
 - (iii) Balance sheet as at 31st December 2010 (5 Marks)
- b) Describe five users of accounting information. (5 Marks)