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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

KAC 100 - PRINCIPLES OF ACCOUNTING 1

Date: 9th April, 2019
Time: 8.30am – 10.30am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain any three key qualities of good accounting information (6 Marks)
- b) Differentiate between the business entity and going concern principles in accounting (4 Marks)
- c) Mr Tumbo commenced trading as a wholesaler stationer on 1 May 2018 with a capital of Sh.5,000.00 with which he opened a bank account for his business. During May the following transactions took place.

May 1 Sold goods on credit to Hiram sh 2 000
May 2 Purchased goods on credit from Abel Sh.650.00
May 4 Sold goods on credit to Bruce Sh.700.00
May 4 Goods returned by Bruce amounted to 50.00
May 9 Purchased goods on credit from Green Sh.300.00
May 11 Sold goods on credit to Hill Sh.580.00
May 13 Cash sales paid into bank account Sh.200.00
May 17 Purchased goods on credit from Kay Sh.800.00
May 18 Sold goods on credit to Nail for Sh.360.00
May 19 Sent Cheque to Abel in settlement of his account
May 20 Paid rent by cheque Sh.200.00

- Required: Prepare the necessary journal entries to record the transactions (12 Marks)
- d) The following details for the year ended 31 March 2018 are available. Draw up the trading account of R Sings for that year.

(8 Marks)

Stocks: 1 April 2012	16,523
Returns inwards	1,372
Returns outwards	2,896
Purchases	53,397
Carriage inwards	1,122
Sales	94,600
Stocks: 31 March 2013	14323

QUESTION TWO (20 MARKS)

- a) Write short notes on the following source documents.
- i) Debit (2 Marks)
 - ii) Credit note (2 Marks)
 - iii) Purchase invoice (2 Marks)
 - iv) Sales invoice (2 Marks)
 - v) Receipt (2 Marks)
- b) Write up a two-column cashbook from the following details, and balance off as at the end of the month:
- 2003 May 1 Started business with capital in cash Sh.1,000.
2 Paid rent by cash Sh.100.
3 F Lake lent us Sh.5,000, paid by cheque.
4 We paid B McKenzie by cheque Sh.650.
5 Cash sales Sh.980.
7 N Miller paid us by cheque Sh.620.
9 We paid B Burton in cash Sh.220.
11 Cash sales paid direct into the bank Sh.530.
15 G Moores paid us in cash Sh.650
16 We took Sh.500 out of the cash till and paid it into the bank account
19 We repaid F Lake Sh.1,000 by cheque.
22 Cash sales paid direct into the bank Sh.660.
26 Paid motor expenses by cheque Sh.120.
30 Withdrew Sh.1,000 cash from the bank for business use.
31 Paid wages in cash Sh.970. (10 Marks)

QUESTION THREE (20 MARKS)

Mr J Ockey commenced trading as a wholesaler stationer on 1 May 2010 with a capital of Sh.5,000.00 with which he opened a bank account for his business. During May the following transactions took place.

May 1 Bought shop fittings and fixtures from store fitments Ltd for Sh.2,000.00
May 2 Purchased goods on credit from Abel Sh.650.00
May 4 Sold goods on credit to Bruce Sh.700.00
May 9 Purchased goods on credit from Green Sh.300.00
May 11 Sold goods on credit to Hill Sh.580.00
May 13 Cash sales paid into bank account Sh.200.00
May 16 Received cheque from Bruce in settlement of his account
May 17 Purchased goods on credit from Kay Sh.800.00
May 18 Sold goods on credit to Nailor Sh.360.00
May 19 Sent Cheque to Abel in settlement of his account
May 20 Paid rent by cheque Sh.200.00
May 21 Paid delivery expenses by cheque Sh.50.00
May 24 Received from Hill Sh.200.00 on account
May 30 Drew cheque for personal expenses Sh.200.00 and assistant wages Sh.320.00
May 31 Settled the account of Green.

Required

- a) Record the transactions in the books of prime entry (5 Marks)
- b) Post the entries in the ledger accounts (5 Marks)
- c) Balance the ledger accounts where necessary (5 Marks)
- d) Extract a trial balance as at 31 May 2010 (5 Marks)

QUESTION FOUR (20MARKS)

- a) Explain the purpose of a control accounts. (5 Marks)
- b) Differentiate between returns inwards and returns outwards. (5 Marks)
- c) Describe any five reasons why the trial balance may have errors even when it is balanced. (10 Marks)

QUESTION FIVE (20MARKS)

From the following information from kiriri traders

- a) Draw up a trial balance (6 Marks)
- b) Prepare a comprehensive income statement for the year ended 30 September 2018 (8 Marks)
- c) A balance sheet as at that date.

Stock 1 October 2017	23,680
Carriage outwards	2,000
Carriage inwards	3,100
Returns inwards	2,050
Returns outwards	3,220
Purchases	118,740
Sales	186,000
Salaries and wages	38,620
Rent	3,040
Insurance	780
Motor expenses	6,640
Office expenses	2,160
Lighting and heating expenses	1,660
General expenses	3,140
Premises	50,000
Motor vehicles	18,000
Fixtures and fittings	3,500
Debtors	38,960
Creditors	17,310
Cash at bank	4,820
Drawings	12,000
Capital	126,360
Stock 30 th sep 2018	16650

(6 Marks)