

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
SUPPLEMENTARY**

EXAMINATIONS FOR THE AWARD OF BACHELOR OF COMMERCE

AGBM 210: FINANCIAL ACCOUNTING / BPLM 171: PRINCIPLES OF ACCOUNTING

STREAMS: BCOM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 12/9/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS: ANSWER QUESTION ONE AND TWO OTHERS

QUESTION ONE

- (a) Explain clearly in terms which a non- accountant would understand the following accounting terms
- (i) The going concern concept [2 marks]
 - (ii) Business entity assumption [2 marks]
 - (iii) Matching concept [2 marks]
 - (iv) Historical cost concept [2 marks]
 - (v) Reliability [2 marks]
- (b) Discuss any five users of financial statements. [10 marks]
- (c) Explain the qualitative characteristics of accounting information [10 marks]

QUESTION TWO

John is a merchant operating in Mombasa. His trial balance for the year ended 31/12/2013 is as follows

	Dr	Cr
motor vehicles	4,000,000	
Furniture and fittings	3,000,000	
Stock (1/1/03	2,000,000	
Sales		30,000,000
Purchases	20,000,000	

Return inwards	2,000,000	
Return outwards		1,000,000
Discount allowed	3,000,000	
Discount received		1,000,000
Debtors	8,000,000	
Creditors		4,000,000
Bad debts	1,000,000	
Provision for bad and doubtful debts		500,000
Motor vehicle expenses	1,00,00	
Rent	500,000	
Salaries and wages	1,000,000	
Electricity and water	1,500,000	
Telephone	300,000	
Carriage inwards	200,000	
Carriage outwards	300,000	
Drawings	3,000,000	
Capital		<u>14,300,000</u>
	<u>50,800,000</u>	<u>50,800,000</u>

Additional information

- (a) Stock at 31/12/2013 amount to sh 3,000,000
- (b) Motor vehicle expenses unpaid amounting to 30,000
- (c) Rent paid in advance amount to 100,000
- (d) Depreciation is provided on motor vehicles and fixtures at 20% and 10% respectively on cost

Required:

- (a) John trading, profit and loss account for the year ended 31/12/2003. [15 marks]
- (b) Balance sheet as at that date. [5 marks]

QUESTION THREE

Tom who operates a retail shop commenced business on 1st April 2005.

- 1st April Commenced business by depositing sh 96,000 in the bank
- 2 April Paid rent deposit of sh 1000 by cheque
- 4 April Bought fitting on credit and paid for them cheque sh 18,000
- 5 April Bought fitting on credit from Opiyo for sh 2100
- 6 April Bought goods on credit from John 21,300, Mary 17,100 and Peter 38,800
- 7 April Made cash sales of sh 960
- 8 April Sold goods on credit to Allan 7,200, Grace 11,000 and Luke 17,500
- 9 April Paid in cash sh 500 for miscellaneous expenses
- 11 April Withdrew sh 600 from the bank for personal use
- 12 April Made cash sales of sh 2000
- 13 April Sold goods on credit to Rachel 25,600, Ruth 7,450 and Frank 81,300
- 14 April Allan returned goods with sh 550
- 15 April Tom paid sh 17,000 into the business bank account from his private account
- 16 April Tom returned goods worth sh 1300 to Mary
- 18 April Bought fitting and paid in cash sh 680
- 20 April Received cheques from Allan less 10% and Peter less 15%
- 21 April Paid the following suppliers by cheque John less 10% and Mary less 10%
- 23 April Paid rent amounting to sh 2300 by cheque
- 27 April Received cheque from Grace less 10%
- 28 April Paid Peter less 15% by cheque
- 29 April Paid wages amounting to sh 1,100 by cash
- 30 April Withdrew cash from the bank amounting to sh 2,330 for use in the business
- 30 April Bought goods on credit worth sh 22,760 from John

Required

Prepare a three column cash book to record the above transactions

[10 marks]

QUESTION FOUR

- (a) Discuss the benefits of maintaining control accounts. [5 marks]
- (b) The following information has been extracted from the books of Kimani traders limited for the month of April 2002.

Balance as at 1 April 2002		sh
Sales ledger	Debit balances	838,0
		00
	Credit balances	184,0
		00
Purchase ledger	Debit balanced	196,0
		00
	Credit balances	598,0
		00
Transactions during the month		
Sales on credit		8,784,0
		00
Purchases on credit		7,849,0
		00
Return inwards		248,0
		00
Return outwards		179,0
		00
Cheques received from trade debtors		2,968,0
		00
Cheques paid to track creditors		4,674,0
		00
Cash paid to trade creditors		1,393,0
		00
Bad debts written off		139,0
		00
Discounts allowed to trade debtors		1,621,0
		00
Discounts received from trade creditors		231,0
		00
Credit sales offset against credit purchases		356,0
		00
Credit purchase of a motor vehicles posted in the		598,0

purchase ledger	00
Dishonored cheques from trade debtors	193,0
	00
Cash received to replace dishonored cheques from	106,
trade debtors	000
An invoice to trade debts of sh 174,000 posted as	147,0
balances at 30 April 2002	00
Purchases ledger debit balances	177,0
	00

Required:

Sales ledger and purchase ledger control accounts for the year ended 30 April 2002.

[15 marks]

QUESTION FIVE

The following information has been extracted from the accounts of Nairobi stock exchange for the year ended 31 Dec 2001.

Profit statement for the year ended 31st Dec

		2001
Sales	115,000	
Cost of goods	<u>(70,800)</u>	
Gross profit	44,400	
Less trading expenses	<u>19,800</u>	
	24,600	
Less: debenture interest		<u>(900)</u>
Net profit before tax	23,700	
Less: Corporation tax	<u>(11,520)</u>	
Net profit after tax	12,180	

Balance sheet as at 31 Dec

Assets		
Fixed assets	44,400	
Less depreciation		<u>9,000</u>
	35,000	
Current assets		
Stock	19,800	
Debtors	12,600	
Cash	-	
	<u>32,400</u>	
Less current liabilities		
Creditors	7,200	

Taxation	11,520	
Proposed dividends	6,300	
	2,340	<u>27,360</u>
		40,44
		0

Required: =====
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Compute the profitability and liquidity ratios [10

marks]

Explain advantages and disadvantages of ratio analysis [10 marks]
