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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2016/2017 ACADEMIC YEAR
CERTIFICATE IN BUSINESS MANAGEMENT**

CBM 002 - PRINCIPLES OF ACCOUNTS

Date: 11th August, 2016.
Time: 3.30pm – 5.30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain the difference between book keeping and accounting. (2 Marks)
- b) What do you understand by the term accounting? (2 Marks)
- c) State and explain the two categories of assets and list two examples of each. (4 Marks)
- d) Define the following accounting concepts used in preparation of financial statements;
- i) Going concern concept
 - ii) Historical cost concept
 - iii) Money measurement concept
- (10 Marks)
- e) From the following data construct a trading account for the year ended 31 December 2015.

	Ksh
Sales	194,000
Purchases	161,323
Opening inventory	18,767
Closing inventory	21,002
Returns outwards	897
Carriage inwards	874

(12 Marks)

QUESTION TWO (20 MARKS)

- a) Define a journal. (2 Marks)
- b) Write up the two-column cashbook for the following details and balance it off at the end of the month.

20X3

- May 1 Balances brought forward from April: Cash Ksh54, Bank Ksh140
May 4 Paid advertising costs by cheque, Ksh32
May 6 Cash purchases Ksh25
May 11 Received cheque from M Swann, Ksh90
May 14 Took Ksh45 cash out of bank account
May 17 Paid sundry expenses Ksh34 cash
May 20 Paid cheque to M LyneKsh72
May 22 Cash sales Ksh95
May 24 Paid Ksh55 cash into bank
May 28 Borrowed Ksh205 from N Jackson – received money by cheque

(18 Marks)

QUESTION THREE (20 MARKS)

1. From the following trial balance of G Nganga, you are asked to draw up an income statement for the year ended 31 December 2014 and a balance sheet as at that date. (20 Marks)

	Dr	Cr
	Ksh	Ksh
Sales		28,545
Purchases	16,440	
Inventory as at 1 January 2014	4,330	
Carriage inwards	105	
Carriage outwards	176	
Returns inwards	235	
Returns outwards		169
Wages	4,750	
Insurance	320	
Advertising	205	
Motor expenses	96	
Capital		28,991
Drawings	1,160	
Premises	15,600	
Equipment	3,340	
Vehicles	7,850	
Accounts receivable	3,265	
Accounts payable		2,876
Bank	1,560	
Cash in hand	745	
Sundries	404	
	<u>60,581</u>	<u>60,581</u>

Inventory at the close of business was valued at Ksh5,690

QUESTION FOUR (20 MARKS)

1. Enter each transaction in the double-entry accounts for the month of September, balance off the accounts and then extract a trial balance as at 30 September 2014.

2014

- September 1 Started business with Ksh1,000 cash
- September 3 Paid Ksh800 of cash into bank account
- September 7 Bought goods on credit from: M Wilson Ksh40 and S HellenKsh78
- September 10 Bought office supplies for Ksh24 cash
- September 12 Sold goods on credit to: K JaneKsh87 and A HarrietKsh95
- September 15 Returned goods to Hellen worth Ksh12
- September 16 Paid wages by chequeKsh140
- September 20 Bought office fixtures for Ksh350 paying by cheque
- September 25 Cash sales made for Ksh34
- September 30 Sent cheque to Wilson for Ksh40

QUESTION FIVE (20 MARKS)

From the following trial balance of A Doreen.

	Dr	Cr
	Ksh	Ksh
Sales		108,000
Purchases	82,190	
Carriage inwards	555	
Carriage outwards	490	
Wages	9,255	
Insurance	542	
Returns inwards	180	
Returns outwards		212
Drawings	4,600	
Premises	34,000	
Equipment	8,600	
Accounts receivable	4,850	
Accounts payable		3,433
Bank	3,250	
Cash in hand	123	
Sundries	500	
Inventory as at 1 January 2013	7,950	
Rent	1,200	
Rates	860	
Capital		47,500
	<u>159,145</u>	<u>159,145</u>

Inventory as at 31 December 2013 Ksh8, 990

Required;

a) An income statement for the year ended 31st December 2013.

(8 Marks)

b) A Balance sheet for the year ended 31st December 2013.

(12 Marks)