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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2012/2013 ACADEMIC YEAR**  
**FIRST YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 17<sup>th</sup> April, 2013  
Time: 9.00am – 11.00am

**KAC 100 – PRINCIPLES OF ACCOUNTING 1**

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

a) S.M. Peter had the following balances as at 31<sup>st</sup> December 2012

	Sh
Land	200000
Stock	45000
Equipment	75000
Debtors	27000
Creditors	35000
Motor vehicle	55000
Loan from bank	70000
Cash in hand	5000
Bank overdraft	20000

Required;

Use the above information to;

- i) Arrange the above items into fixed assets, current assets, long term liabilities and current liabilities. (4 Marks)
  - ii) Calculate S.M. Peter's capital. (2 Marks)
  - iii) Prepare his balance sheet as 31<sup>st</sup> December 2012. (4 Marks)
- b) Distinguish between the following;
- i) Sales ledger and sales daybook
  - ii) Accounting and bookkeeping
  - iii) Credit note and debit note (12 Marks)
- c) Explain four types of errors that may not be disclosed by a trial balance. (8 Marks)

## **QUESTION TWO (20 MARKS)**

The following trial balance was extracted from the books of Jawabu, a sole trader as at 31<sup>st</sup> March 2012:

	Sh '000'	sh'000'
Capital account		4200
Premises	3000	
Purchases	11400	
Sales		19902
Debtors	2100	
Creditors		1020
Plant and machinery	4500	
Salaries and wages	2724	
Postage and stationery	105	
Carriage inwards	105	
Carriage outwards	60	
Opening stock	1800	
General reserve		1200
Cash at bank	318	
Cash in hand	84	
Bad debts	57	
Allowance for doubtful debts		21
Office general expenses	90	

Additional information;

1. Closing stock as at 31<sup>st</sup> March 2012 was valued at Sh 2160,000.
2. Jawabu is entitled to a salary of Sh 720,000 per annum
3. Allowance for doubtful debts is to be adjusted to 3% of debtors
4. It was discovered that stock as 31<sup>st</sup> March 2011 had been overstated by 50,000. No entry was made to rectify the overstatement.
5. Interest on capital to be allowed at 10% per annum
6. Depreciation is to be provided as follows:

<b>Asset</b>	<b>rate per annum</b>
Premises	2% on straight line method
Plant and machinery	10% on straight line method

7.10% of the profit is to be transferred to the general reserve

- Required;
- a) Trading profit and loss account for the year ended 31<sup>st</sup> March 2012 (12 Marks)
  - b) Balance sheet as 31<sup>st</sup> March 2012 (8 Marks)

**QUESTION THREE (20 MARKS)**

- a) Write short notes on;
- i) Contra entry (1 Mark)
  - ii) Books of original entry (4 Marks)
- b) Veteran trader maintains a three column cashbook .The following information was supplied for the month of September 1998:

Balances as at 1 September 1998

	Shs
Cash at hand	243000
Cash at bank	1488000

Transaction during the month

September	2	Paid Ben Waithaka by cheque sh.158, 000 after deduction of sh.45000 discount
	3	Received a cheque of sh.324, 000 from Chemwa Motors after a discount of Sh.28, 000.
	4	Paid the water bill of Sh.24, 000 by cheque Paid salaries and wages of Sh.124, 000 by cheque
	5	Paid Wangari Traders by cheque Sh.248, 000 after deducting a discount of Sh.12, 000
	11	Paid an invoice of Sh.250, 000 by cheque from Pendo Traders less 6% discount
	16	Better Traders settled their debt by cheque of Sh.650,000 less 6% discount.
	17	Withdrew Sh.50, 000 for petty cash. Paid casual wages Sh.45, 000 in cash.
	22	Received dividend cheque from Kenya Traders Ltd. Sh.59,000. Paid repairs of Sh.59, 000 in cash
	29	Paid salaries and wages Sh.164, 000 by cheque. Bought a desk for Sh.25, 000.

**Required;**

- i). A three column cash book to record the above transactions. (10 Marks)
- ii). Post the entries in the cash book to ledger accounts. (5 Marks)

#### **QUESTION FOUR (20 MARKS)**

- a) You are to enter up the purchases journal and the returns outward journal from the following details, then to post the items to the relevant accounts in the purchases ledger and the general ledger:-

19 – 9

July 1	Credit purchase from A. Benhim Sh 15,000
July 2	Credit purchases from: C. King sh 3000, A. Martin Sh 3500, C.D & Co. Sh 1500
July 8	Credit purchases from: A. Benhim sh 5,000, A. Martin Sh 3,200
July 12	Goods returned to: C. King sh 500, C.D & Co. sh 350
July 15	Credit purchases from: C. King Sh 38,000, A. Martin Sh 2,500
July 20	Goods returned to: A. Benhim Sh 300, A. Martin Sh 250
July 25	Credit purchases from C. King Sh 2,900

- b) Record the following transactions from A. Bethany in the journal form.

April 1	Purchased Motor Vehicle on credit from A.B Motors Ltd for sh.75, 000
April 2	Purchased Machinery on credit for sh 100,000 from Machinery Ltd.
April 5	Purchased office furniture from XY & Co. for sh 25,000
April 7	Sold part of furniture unsuitable to A. Smith & Co. for Sh 5,000

#### **QUESTION FIVE (20 MARKS)**

A trial balance extracted from the books of Bill Kamande had the following totals:-

Debit side total Shs. 938, 400

Credit side total Shs. 932, 300

Kamande opened a Suspense Account and placed the difference in trial balance there to. He discovered the following errors and omissions.

- i) A credit note for Shs. 2, 300 received from Shah Wholesalers had not been recorded anywhere in the books.
  - ii) A credit note for Shs. 1,400 issued to Patel Retailers had been entered correctly in the appropriate subsidiary book but had not been posted to their account.
  - iii) A cheque for Shs. 7,400 received from Dave Kuria was entered as Shs.4, 700 in the cash book and posted to the ledger accordingly.
  - iv) Discounts allowed Shs.2, 350 were credited to Discounts Received Account in the ledger.
  - v) Rent received Shs. 2, 200 has been credited to Premises Account.
  - vi) Sales day Book was under cast by Shs. 9,400.
- Required;
- i) Journal entries to rectify above errors and omissions.
  - ii) Suspense account, duly balanced. (20 Marks)