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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: 23rd 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) Distinguish between the following:
- i) Sales ledger and sales daybook
 - ii) Accounting and bookkeeping
 - iii) Bad debts and provision for bad & doubtful debts
- (12 Marks)
- b) Identify four errors that are not disclosed by a trial balance.
- (4 Marks)
- c) Explain the following accounting assumptions
- i) Accrual concept
 - ii) Historical cost concept
 - iii) Periodicity concept
 - iv) Going concern concept
- (8 Marks)
- d) 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
 - April 8 Paid A,B Motors sh.75000 by cheque
 - April 9 received Sh 5,000 cash from A. Smith & Co
- (6 Marks)

QUESTION TWO (20 MARKS)

- a) A firm maintains a petty cash book with headings to the analysis columns of postage, stationery, petrol, entertainment and Advertisement.

During the week ending 18th march 2013 the following expenses were incurred from a petty cash balance of shs.1500

March 12 - postage sh.55 ;entertainment sh.70

March 13 - petrol sh.120; postage sh.45; advertisement sh.75; stationery sh.105

March 14 - advertisement sh.100; entertainment sh.30; postage sh 65

March 15 - petrol sh .130 ; postage sh.45; entertainment shs.65.

March 16 - entertainment sh.150; petrol sh.130; advertisement sh.75

Prepare the firms petty cash book.

(16 marks)

- 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

(4 Marks)

QUESTION THREE (20 MARKS)

On 1st January 2008 Kahawa Transporters Ltd. purchased three motor vehicles costing Shs. 108,000 each. The useful life of the vehicles was estimated to be five years with a disposal value of Shs. 8,000 for each vehicle. The company's normal practice is to use straight line method of depreciation. One of the vehicles was damaged in an accident and was sold on 1st January 2010 for Shs. 45,000

Required:

Prepare the following accounts for the three years ended 31st December 2008, 2009 and 2010.

- a) Motor-Vehicles Account
b) Motor-Vehicles Disposal Account
c) Provision for Depreciation on Motor-Vehicles Account

(20 Marks)

QUESTION FOUR (20 MARKS)

The following trial balance relates to James business as at 31/12/12

	DEBIT(SHS)	CREDIT (SHS)
Sales		80,000
Returns inwards	3000	
Stock 1/1/12	30,000	
purchases	26,000	
Carriage inwards	2,000	
Returns outwards		4000
Rent expense	6,000	
Debtors	40,000	
Office equipment	20,000	
Furniture	10,000	
Provision for depreciation –office equipment		2000
Bank	4000	
Creditors		12,000
Provision for doubtful debts1/1/12		2000
Carriage outwards	3,000	
Bank charges	800	
Capital		44,800
TOTAL	144,800	144,800

Additional information:

- i) Value of closing stock shs.4000
- ii) Unpaid electricity bill amounted to shs.3000
- iii) Dividedend income receivable shs.5,000
- iv) Bad debts to be written off shs.4,000
- v) Provision for doubtful debts to be 10% of the remaining debtors
- vi) Fixed assets to be depreciated as follows:
 - Furniture at a rate of 5% p.a. on cost
 - Office equipment at a rate of 10% p.a. using reducing balance method.

Required: Prepare Trading, Profit And Loss Account for the period ended 31/12/12 and A Balance Sheet as at 31st December 2012.

(20 Marks)

QUESTION FIVE (20 MARKS)

- a) The trial balance of Tatu Traders prepared on 31st march 2011 agreed but the following errors were subsequently discovered :
- i) Repairs to building of Shs.50,000 had been debited to the building account.
 - ii) Cash drawing of Shs.22,000 had been completely omitted from the books .
 - iii) Sales on credit to Kamua Shs.17,000,had been entered in the account of Kamau.
 - iv) Telephone expenses amounting to shs.1500 had been debited into wages account.
 - v) A cheque of shs.42,000 received from Nyaribo was debited in his account and credited in the bank.
 - vi) Purchases on credit shs.8900 from Khaminwa was entered in the books as shs.9800.

Prepare journal entries to correct the above errors.

(12 Marks)

- b) On September 2011,Kitili 's cash book (bank column) had a debit balance of Ksh 33,360.On the same day the bank statement showed a credit balance of ksh 32000.The following additional information is available;
- Bank charges of Ksh 760 and dividends received of Ksh 2520 had not been recorded in the cash book
 - The debit column of the cash book had been undercast by ksh 2000.
 - A cheque payment to Otieno of Ksh 6680 and receipts from cash sales of Ksh 13000 had not been reflected in the bank statement.
 - The bank had credited the account with Ksh 1000, which should have been credited to the account of Kitili, another customer of the bank.

Prepare;

- i) An updated Kitili's cash book (12 Marks)
- ii) A bank reconciliation statement for Kitili for September 2011 (8 Marks)