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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 19th April, 2023
Time: 2.30pm –4.30pm

KAC 100 - PRINCIPLES OF ACCOUNTING 1

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) While extracting the trial balance of Kimwaki Electrical Engineers Ltd as at 31st December 2019 it was observed that the total debits exceeded the total credits by shs. 23,800. Investigations revealed the following errors:
- Sales had been overcast by shs. 1,500
 - Returns outwards account had not been credited with amount of shs. 6,132
 - A payment by a debtor of shs. 15,000 by a direct bank transfer had not been entered in the debtor's account.
 - A cash purchase of shs. 232 had been recorded in the cash account book only.
 - Shs. 2,200 received from a debtor had been debited to his account.

Required

- i) The necessary journal entries to correct the above errors. (5 Marks)
ii) Suspense account duly balanced as it would appear after the correction of the above errors. (4 Marks)
- b) Discuss the qualities of useful accounting information. (5 marks)
- c) The balance of bank current account of Mr. Nzioka as at 1/1/14 was shs. 6,000,000. At the same time the balance of cash at hand was shs. 2,000,000. Transactions during the month of January were:
1. 2/1/14 paid shs. 1,000,000 by cheque for motor vehicle expenses
 2. 3/1/14 cash sales amount shs. 3,000,000.
 3. Salaries and wages paid on 4/1/14 were shs. 2,000,000 cash.
 4. 8/1/14 received from credit customer's payment by cheque net of discount as follows:

	RECEIPT	DISCOUNT
	Shs.	Shs.
Mwangi	2,000,000	1,000,000
Maina	4,000,000	200,000
Okumu	3,000,000	150,000

5. 12/1/14 paid telephone by cheque shs. 3,000,000
6. 15/1/14 cash sales shs. 15,000,000
7. Paid suppliers by cheque net of discount on 20/1/14 as follows:-

RECEIPT	DISCOUNT
Shs.	Shs.
Mwangi	2,000,000 1,000,000
Maina	4,000,000 200,000
Okumu	3,000,000 150,000

8. 16/1/14 deposited in the bank shs. 12,000,000 from the cash sales.
9. 20/1/14 paid suppliers by cheque as follows

Njoroge	1,000,000
Kamau	3,000,000
Otieno	2,000,000
10. 22/1/14 drew shs. 2,000,000 from bank for office use.
11. Cash purchases shs. 1,500,000 on 25/01/14 and drew for personal use shs. 500,000 cash.

Required

Draw the cash book (10 Marks)

- i) Explain the meaning and relevance of the following concepts
 - Materiality (2Marks)
 - Substance over form (2marks)
 - Consistency (2 Marks)

QUESTION TWO (20 MARKS)

- a) The following trial balance was extracted from the books of Mr. Mwangi as at 31st December 2022.

	DR	CR
Capital	200000	
Stock(1.1.2022)	25000	
Plant and machinery at cost	250000	
Motor vehicle at cost	80000	
Provision for depreciation of plant and machinery	20000	
Provision for depreciation of motor vehicles	16000	
Purchases/sales	36000	600000
Returns	40000	20000
Wages and salaries	60000	
Discounts	5000	4000
Carriage inwards	2500	
Postage	7500	
Carriage outwards	3000	
Water and electricity	8600	
Bad debts written off	1500	
Provision for bad debts	1000	
General expenses		8500
Rent and rates		15000
Debtors		55000
Creditors		46600

Cash in hand	6000
Cash at bank	<u>30000</u>
	957600
	957600

Additional information

- Closing stock was 22500
- Depreciation to be charged at 10% of cost of plant and machinery and 20% of cost motor vehicles.
- Accrued rent is 3000 and prepaid rates are 1000.
- Outstanding electricity is 600.
- Provision for bad debts is to be increased by 300.

Required:

- Prepare income statement for the year ended 31.12.2022. (10 marks)
- Prepare a statement of financial position as at that date. (10 marks)

QUESTION THREE (30 MARKS)

- A cash book is both a ledger and a book of original entry. Discuss. (4 Marks)
- Write up the following transactions in the books of S Kamau

2022

- March 1 Started business with cash Sh.100,000
- “ 2 Bought goods on credit from A Clinks Sh.29,600.
- “ 3 Paid rent by cash Sh.2,800.
- “ 4 Deposited Sh.80,000 of the cash of the firm into a bank account.
- “ 5 Sold goods on credit to J Simpson Sh.5,400.
- “ 7 Bought stationery Sh.1,500 paying by cheque.
- “ 11 Cash sales Sh.4,900.
- “ 14 Goods returned by us to A Clinks Sh.1,700.
- “ 17 Sold goods on credit to P Lutz Sh.2,900.
- “ 20 Paid for repairs to the building by cash Sh.1,800.
- “ 22 J Simpson returned goods to us Sh.1,400
- “ 27 Paid A Clinks by cheque Sh.27,900.
- “ 28 Cash purchases Sh.12,500.
- “ 29 Bought a motor vehicle paying by cheque Sh.39,500.
- “ 30 Paid motor expenses in cash Sh.1,500
- “ 31 Bought fixtures Sh.12,000 on credit from R west.

Required

- Draw the ledger accounts and balance them off (10 Marks)
- Draw a trial balance (6 Marks)

QUESTION FOUR (20 MARKS)

- Define the term bank reconciliation statement. (2 marks)
- Discuss the main causes of differences between the balance in the cash book and the bank statement. (5 marks)

- c) Awour has the following assets and liabilities as at 31/4/2020.

Creditors	15800
Equipment	46000
Motor vehicle	25160
Stock	24600
Debtors	23080
Cash at bank	29120
Cash in hand	160

During the first week of May 2020, Awour ;

- i) Bought extra equipment on credit for shs 5520
- ii) Bought extra stock by cheque 2280.
- iii) Paid creditors by cheque shs 3160.
- iv) Debtors paid 3360 by cheque and shs 240 by cash.
- v) Awuor put extra shs 1000 cash as capital.

Required: i) Determine the capital as at 31st April 2020 (3 marks)

- ii) Calculate the balances of each assets , liabilities and capital as at the end of first week of May (10 marks)

QUESTION FIVE (20 MARKS)

- a) Kimani is the petty cashier for Ikolamani Ltd. Petty cash is managed through the imprest system with an imprest of shs. 200,000 per week. The following were the petty cash payments for the week ending 30th June 2022.

Date	Voucher No.	Description	Amount
21/6/22	103	Newspapers	1,000
21/6/22	104	Courier charge	1,500
21/6/22	105	Tea, milk and coffee for office	2,500
22/6/22	106	Mobile phone scratch cards	2,000
22/6/22	107	Printing	1,500
23/6/22	108	Wages for casual cleaners	1,500
23/6/22	109	Motor vehicle fuel	4,500
24/6/22	110	Office stationery	1,300
24/6/22	111	Tax Charges	1,000
25/6/22	112	Cleaning materials	1,300
25/6/22	113	Manager's lunch	1,500

Required

Draw the petty cash book for the week ended 30th June 2022 (10Marks)

- b) The following information was obtained from the books of D. Kamau relating to the year 2019.

2019:	shs
January 1- Balance brought forward	11500
December 31- Sales per sales day book	60850
December 31- Cash received per cash book	48950
December 31- Discount allowed per cash book	2585
December 31- Returns from customers	4565
December 31- Bad debts written off	545

Required:

Prepare a sales ledger control account (6 marks)

- c) Discuss the purposes of control accounts. (4 marks)