



MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

FIRST SEMESTER EXAMINATION FOR DEGREE IN BACHELOR OF COMMERCE

FUNDAMENTAL OF ACCOUNTING

Date: 1/8/2016

Time: 2:00 – 4:00 PM

INSTRUCTIONS

Answer Question One and Any Other Two Questions

QUESTION ONE

1. a) Explain the Following Accounting Concepts
- i) Business Entity Concept.
 - ii) Consistency Concept.
 - iii) Accrual Concept.
 - iv) Money Measurement Concept.
 - v) Substance Over Form Concept. (10marks)
- b) The following balances were extracted from the books of timescale traders as at 1 January 2014.

	KSH.
Cash at bank	182,900
J. peter-debtor	26,000
Cash in hand	36,400
Wethaga-creditor	14,200

The following Transactions took place in the month of January 2014.

- January 4 bought goods for ksh 92,000 from wethaga and paid ksh. 40,000 by cheque
- January 6 bought stationary for ksh. 11500 in cash
- January 10 Deposited Ksh. 20,000 from cash till into the bank.
- January 15 J.peters paid ksh 15,600 by cheque, less 5% cash discount.
- January 22 Sold goods for ksh.18, 000 to J peters on credit.
- January 24 Paid Wethaga ksh 8,500 by cheque less 5% cash discount.
- January 28 the proprietor took goods ksh 10,000 for personal use.

Prepare the necessary ledger accounts to record the above transactions, balance off and extract a trial balance (10 marks)

QUESTION TWO

- a) The following transactions relate to mbali traders for the month of March 2014
1. Bought goods on credit from sifa traders' ksh. 14,000
 2. Sold goods on credit to B. Asha ksh. 3,200 S.Fatuma ksh. 6,500
 7. Returned goods to sifa traders worth ksh.180
 15. Bought goods on credit from mega wholesalers for ksh 28,000 and received a trade discount
Of 5%
 22. Sold goods on credit to tela limited ksh 15,000.
 25. S.Fatuma returned gods worth ksh 300
 27. Sold goods on credit to T.Zawadi for ksh. 5,100
 29. Bought goods on credit from Keta limited ksh 17,400
 31. T.Zawadi returned goods worth ksh.450

Prepare:

- i) Purchases journal
 - ii) Sales journal [iii] Returns outward journal
 - iii) Return inward journal
- b) Explain five uses of STATEMENT Of financial position [balance sheet] [10marks]

QUESTION THREE

The following balances were extracted from books of kwale traders for the year ended 31st December 2013.

	<u>ksh</u>
Gross profit	650,000
General expenses	70,200
Carriage on sales	10,000
Lighting	8,000
Non current asset	1,740,500
Inventory	35,000
Account receivable	84,700
Account payable	96,200
Cash in hand	120,000
Cash at bank	405,800
Bank loan	200,000
Capital	1,528,000

Additional information.

- . Interest on bank loan is charged at 12% per year
- . Lighting owing amounted to ksh 2,200
- . General expenses pre-paid amounted to ksh 7,200.

Prepare

- a) i) Income statement for the year ended 31st December 2013.
ii) Statement of financial position as at 31 December 2013 (10 marks)
- b) Explain clearly the following type of errors citing example in each
- i) Errors of omission
 - ii) Errors of commission
 - iii) Errors of principal
 - iv) Complete reversal error
 - v) Compensating erro

QUESTION FOUR

2. a) Identify f our uses of journals. (8 marks)
- b) The following entries appeared in the books of Ndogo traders for the month of April 2014.

CASH BOOK		[BANK COLUMN]	
	Ksh		Ksh
BAL bid	35,000	Jane	15,000
Ken	55,000	Musyoka	20,000
Willy	50,000	Juma	16,000
Alice	<u>14,000</u>	Balcid	<u>103,000</u>
	154,000		154,000

The bank statement for this same period was as follows:

	DEBIT	CREDIT	BALANCES
	KSH	KSH	KSH
Balance as at 1 st April 2014			35,000
Ken		55,000	90,000
Standing order credit	20,000		70,000
Willy		50,000	120,000
Jane	15,000		105,000
Fabian Enterprise		100,000	205,000
Ken	55,000		150,000
Bank charges	8,000		142,00

Prepare

- i) Adjusted cash book.
- ii) Bank reconciliation statement as at 30th April 2014.

QUESTION FIVE

- a) Explain benefits that can flow from processing accounting information using computer.

(6 marks)

- b) You are provided with the following information from books of Better Traders for the month of December 2006.

Sh.	
Sales: Cash	3,448,900
Credit	2,681,870
Purchases: Cash	144,400
Credit	4,966,000
Total receipts from customers	6,005,700
Total payments to suppliers	5,039,700
Discount allowed	55,200
Discount received	35,100
Refund given to cash customers	50,700
Balance in sales ledger set off against purchase ledger	700
Bad debt written	7,800
Increase in allowance for doubtful debt	900

Credit notes issued to credit customers	41,400
Credit notes received from credit suppliers	14,800

Previous year accounts receivable and account payable as at 1 December were 265,550 and sh. 434,500 respectively.

Required:

- i) Account receivable control account (7 marks)
- ii) Account payable control account (7marks)